

*City of Kelso, Washington  
Annual Comprehensive  
Financial Report*



*Coweeman River, Kelso, Washington*

***FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2022***

**City of Kelso, Washington**  
**Annual Comprehensive Financial Report**



**For the fiscal year ended December 31, 2022**

**Prepared by the Finance Department**

**Brian Butterfield**  
**Finance Director**

**Accounting Staff**  
**Sharry Hilton**

City of Kelso  
 Annual Comprehensive Financial Report  
 For the Fiscal Year Ended December 31, 2022

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# **INTRODUCTORY SECTION**

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## Finance / Utility Department

203 S. Pacific Avenue, PO Box 819 Kelso, WA 98626

Phone: 360-423-0900 FAX: 360-425-9807



July 27, 2023

To the Honorable Mike Karnofski, Mayor  
Members of the City Council  
Andrew Hamilton, City Manager  
Citizens of the City of Kelso

State law requires that all local governments publish within 150 days of the close of each fiscal year financial statements covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the Washington State Auditor's Office. In addition to the State reporting requirements, the City has chosen to issue our financial report in conformity with generally accepted accounting practices (GAAP) and hereby submit this annual comprehensive financial report (ACFR) of the City of Kelso for the fiscal year ended December 31, 2022.

This report consists of management's representations concerning the finances of the City of Kelso (City). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Kelso's financial statements have been audited by the Washington State Auditor's Office. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an

unmodified opinion that the City of Kelso's financial statements for the fiscal year ended December 31, 2022, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City of Kelso, incorporated in 1889, is located in southwestern Washington on the Cowlitz River, approximately 127 miles south of the City of Seattle, Washington and 50 miles north of the City of Portland, Oregon. The City, which serves as the Cowlitz County seat, lies adjacent to the City of Longview. Together, these two cities comprise of the Kelso/Longview metropolitan area, the major population center of Cowlitz County. The City of Kelso currently occupies a land area of 8 square miles and serves a population of 12,720.

The City of Kelso operates under the Council-Manager form of government. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The Council is elected via City-wide vote. Council members serve four-year staggered terms, with three-four Council members elected every two years. The City Council elects a Mayor from the Council membership for a two-year term.

The City of Kelso provides a full range of services, including police, fire protection (City contracts with Cowlitz County Fire District No. 2), refuse removal (City contracts with Waste Control, Inc.), street maintenance, transit system (City contracts with River Cities Transit), water and sewer utilities, library services, and parks and recreation facilities.

Cities and counties of the State of Washington must comply with the Budgeting, Accounting, and Reporting System (BARS) prescribed by the Office of the State Auditor as authorized under RCW 43.09.200 and RCW 43.09.230. State law also provides for annual independent audits by the Washington State Auditor's Office and requires timely submission of annual financial reports to the State for review. The financial system of the City of Kelso incorporates a system of financial and administrative controls that ensure the safeguarding of assets and the reliability of financial reports. Consequently, they are designed to provide reasonable assurance that transactions are executed in accordance with management authorization, recorded in conformity with GAAP, that accountability of control over assets and obligations exists, and that sufficient reporting and review exists to provide adequate information for analysis and comparability of data.



Internal control is an area of audit by the State Auditor as well and City management takes action upon recommendations made by the State.

The City of Kelso prepares a biennial budget in accordance with RCW 35.A.34. The biennial budget serves as the foundation for the City's financial planning and control. The budget process begins in mid-summer of even-numbered years. All departments of the City are required to submit requests for appropriation to the City Clerk on or before the fourth Monday in September. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then submits the preliminary budget to the City Council for review prior to November 1. The City Council is required to hold public hearings on the preliminary budget and to adopt a final budget by no later than December 31, the close of the City's fiscal year. The appropriated budget is prepared by fund. The City Manager is authorized to transfer budgeted amounts between departments within any fund and object classes within departments; however, any revisions that alter the total expenditures of a fund must be approved by the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general and arterial street funds this comparison is presented on pages 35-36 as part of the basic financial statements for the governmental funds. For governmental funds, other than those previously mentioned, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 100.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Kelso operates.

**Local economy.** Kelso's economy is predominately retail, commercial and service oriented. The largest employers in the City include Foster Farms Poultry Processing Plant, Cowlitz County, and Kelso School District. The City also has a mall that encompasses over 420,000 square feet and includes two anchor stores; Sportsman's Warehouse, and J.C. Penney. Additional employment is provided by regional employers such as WestRock, an American corrugated packaging company, PeaceHealth/St. John Hospital, and Nippon Paper Industries Company, LTD, which are located in neighboring Longview, Washington and in Cowlitz County, Washington.

The economy of the region is based on a mixture of industrial, commercial and service activity. Wood and paper products processing, steel processing, trade and port activity, as well as healthcare, make up the economic foundation of the area. The economy as a whole has become more diversified in recent years, but remains materially dependent on the forest products industry and, as a result, is relatively vulnerable to the cyclical downturns of that industry. The average unemployment rate for the Kelso/Longview metropolitan area in 2022 was 5.7 percent compared with state and national rates of 4.2 percent and 3.6 percent, respectively.

**Long-term financial planning.** As always, the City of Kelso will strive to continue providing basic services at current levels. Funding priorities for long-term operating and capital needs are reviewed and updated annually during the budget process and again at the council retreat. Over the past decade the City has been particularly successful in obtaining grants and low interest loans for the upgrade of roadway and utility infrastructure. One of the primary goals of the City is to upgrade its infrastructure to help attract new business to the region which, in turn, will increase our tax base.

### **Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kelso for its ACFR for the fiscal year ended December 31, 2021. This was the eighteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized ACFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this ACFR represents the culmination of months of concerted teamwork and could not have been accomplished without the professional, efficient and dedicated staff of the Finance Department. To each, I share my sincerest appreciation.

Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Kelso's finances.

Respectfully submitted,



Brian Butterfield  
Finance Director

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Kelso  
Washington**

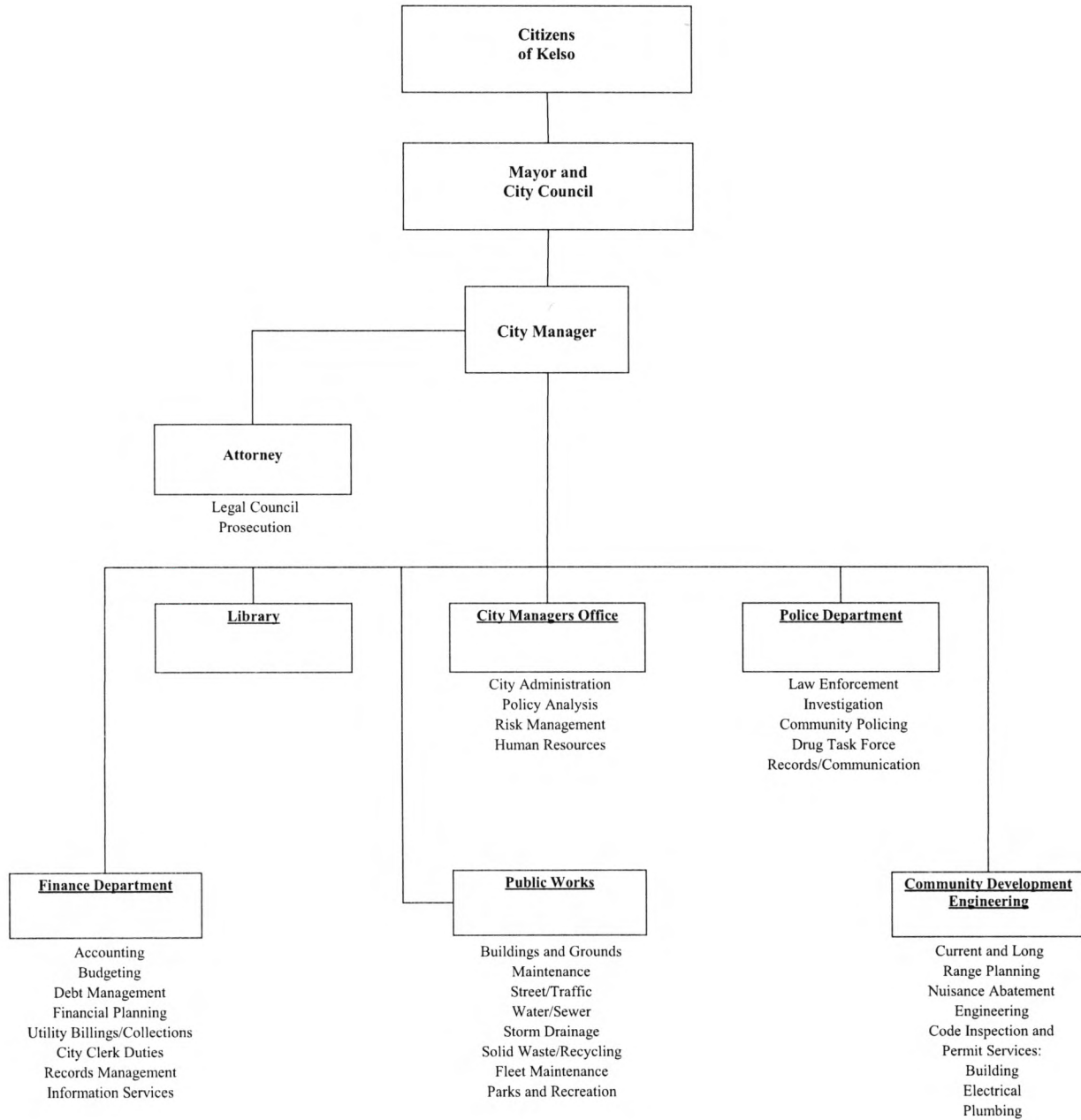
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2021

*Christopher P. Morill*

Executive Director/CEO

# City Of Kelso Organizational Chart



# City of Kelso

Directory of Officials

December 31, 2022

## Elected Officials

Mayor

Mike Karnofski

Council Members

Kimberly Lefebvre

Lisa Alexander

Keenan Harvey

Jim Hill

Brian Wood

Ladonna Page

## Appointed Officials

City Manager

Andrew Hamilton

City Attorney

Janean Parker

Clerk / Finance Director

Brian Butterfield

Public Works Manager

Devin Mackin

Police Chief

Darr Kirk

Community Development Director/  
City Engineer

Michael Kardas

# **FINANCIAL SECTION**



**Office of the Washington State Auditor  
Pat McCarthy**

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE  
FINANCIAL STATEMENTS**

Mayor and City Council  
City of Kelso  
Kelso, Washington

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kelso as of and for the year then ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kelso, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Arterial Street funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**



Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

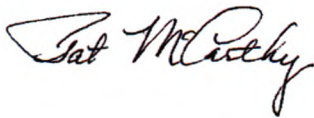
The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with the audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we will also issue our report dated July 27, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

July 27, 2023

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## Management's Discussion and Analysis

As management of the City of Kelso, we offer readers of the City of Kelso's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal. All amounts reported in the MD&A, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlights

- The assets and deferred outflows of resources of the City of Kelso exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$134,170 (net position). Capital assets, net of depreciation and related debt, account for \$103,799 or 77.4% of total net position. \$24,553 or 18% of total net position (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$7,156 during 2022.
- As of the close of the current fiscal year, the City of Kelso's governmental funds reported combined ending fund balances of \$16,364 an increase of \$2,037 in comparison with the prior year. Approximately 89% of this amount, \$14,632 is available for spending at the government's discretion (unrestricted fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$11,192, or 82% of total general fund expenditures.
- The City of Kelso's total debt (exclusive of compensated absences, bond discounts/premiums, and pension obligations) decreased by \$915 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Kelso's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, transportation, economic environment, and culture and recreation. The business-type activities of the City include a water/sewer enterprise, a solid waste enterprise, and a storm water drainage enterprise.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kelso, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Kelso maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the arterial street fund, which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual

fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Kelso adopts a biennial appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

**Proprietary funds.** The City of Kelso maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water/sewer, solid waste, and its storm water drainage departments. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the acquisition of its vehicle fleet. A portion of the acquisition fund has been included within the business-type functions. The remainder of these services predominantly benefit governmental rather than business-type functions and have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water/sewer, solid waste, and storm water drainage departments. However, only the water/sewer and solid waste funds are considered to be major funds of the City. The internal service fund is also presented separately in the proprietary fund financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents the combining statements, referred to earlier in connection with nonmajor governmental funds, which are presented immediately following the notes and required supplemental information.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City of Kelso, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$134,170 at the close of the most recent fiscal year. The following is a condensed version of the Government-

Wide Statement of Net Position as of December 31, 2022 with comparable data provided for the previous year.

<b>City of Kelso's Net Position</b>						
	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$25,936	\$25,914	\$ 19,802	\$ 20,613	\$ 45,738	\$ 46,527
Capital assets (net)	<u>79,349</u>	<u>76,981</u>	<u>34,090</u>	<u>32,129</u>	<u>113,439</u>	<u>109,110</u>
Total assets	<u>105,285</u>	<u>102,895</u>	<u>53,892</u>	<u>52,742</u>	<u>159,177</u>	<u>155,637</u>
Total deferred outflows of resources	<u>2,130</u>	<u>856</u>	<u>601</u>	<u>466</u>	<u>2,731</u>	<u>1,322</u>
Long-term liabilities outstanding	10,057	10,883	9,237	9,778	19,294	20,661
Other liabilities	<u>4,396</u>	<u>2,307</u>	<u>1,218</u>	<u>992</u>	<u>5,614</u>	<u>3,299</u>
Total liabilities	<u>14,453</u>	<u>13,190</u>	<u>10,455</u>	<u>10,770</u>	<u>24,908</u>	<u>23,960</u>
Total deferred inflows of resources	<u>2,383</u>	<u>4,765</u>	<u>447</u>	<u>1,220</u>	<u>2,830</u>	<u>5,985</u>
Net position:						
Net investment in capital assets	75,746	72,897	28,053	25,805	103,799	98,702
Restricted	5,493	5,182	325	95	5,818	5,277
Unrestricted	<u>9,340</u>	<u>7,717</u>	<u>15,213</u>	<u>15,318</u>	<u>24,553</u>	<u>23,035</u>
Total net position	<u>\$90,579</u>	<u>\$85,796</u>	<u>\$43,591</u>	<u>\$41,218</u>	<u>\$134,170</u>	<u>\$127,014</u>

By far the largest portion of the City's net position (77.4 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Kelso's net position (4.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$24,553 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Kelso is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Governmental activities.** Governmental activities increased the City of Kelso's net position by \$4,783 in 2022. Revenues decreased by \$3,967 and expenses increased by \$2,085 in 2022. Key elements for these changes include the following:

- The decrease in revenues from the prior was because the City received \$5,100 less in highway grants in 2022.
- Increased sales and business taxes related to above normal construction activity throughout the City in 2022.

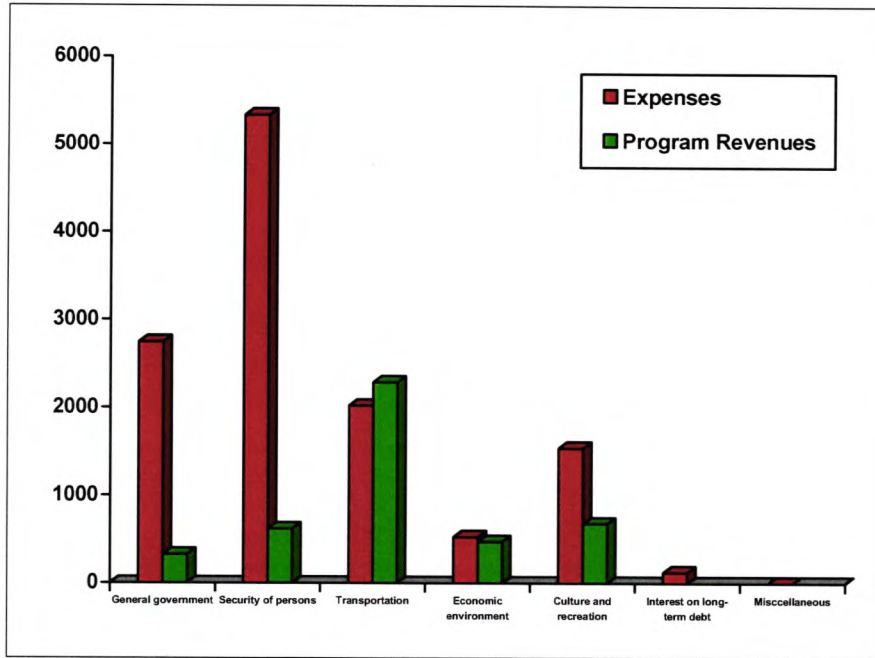


- Overall increased economic activity spurred by COVID 19 related stimulus programs.
- The increase in expenditures was due to increased staffing in the police and planning departments as well as cost of living adjustments for all employees.
- The city also replaced the HVAC system at city hall in 2022.

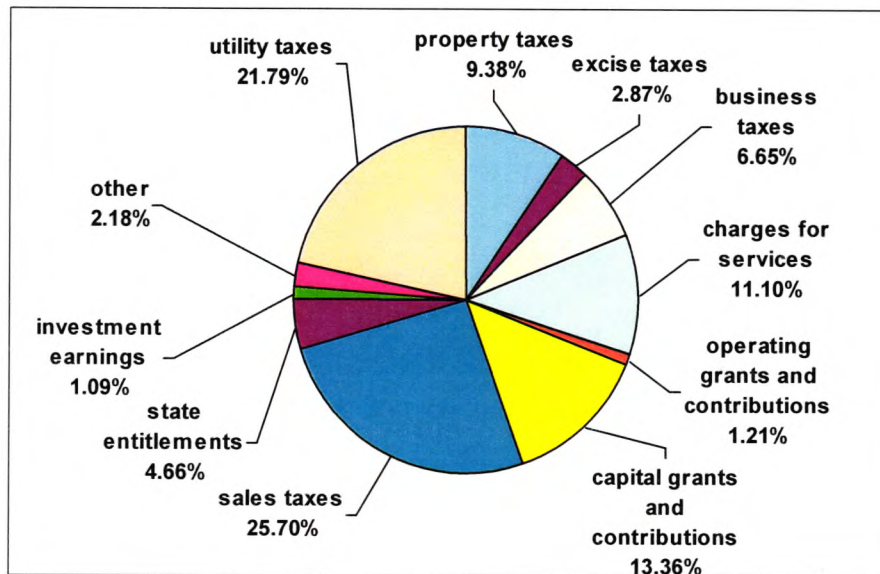
**City of Kelso's Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$1,896	\$1,538	\$13,896	\$13,208	\$15,792	\$14,746
Operating grants and contributions	207	249	158	126	365	375
Capital grants and contributions	2,283	7,383	-	375	2,283	7,758
General revenues:						
Property taxes	1,603	1,608	-	-	1,603	1,608
Sales and use taxes	4,391	4,000	-	-	4,391	4,000
Utility taxes	3,723	3,424	-	-	3,723	3,424
Business taxes	1,137	1,143	-	-	1,137	1,143
Excise taxes	490	502	-	-	490	502
State entitlements	797	1,095	-	-	797	1,095
Investment earnings	186	20	156	8	342	28
Miscellaneous	363	91	-	-	363	91
Gain/(loss) on sale of capital assets	10	-	-	-	10	-
Total revenues	<u>17,086</u>	<u>21,053</u>	<u>14,210</u>	<u>13,717</u>	<u>31,296</u>	<u>34,770</u>
Expenses:						
General government	2,746	2,091	-	-	2,746	2,091
Security of persons and property	5,338	4,642	-	-	5,338	4,642
Transportation	2,024	1,952	-	-	2,024	1,952
Economic environment	529	387	-	-	529	387
Culture and recreation	1,542	1,022	-	-	1,542	1,022
Interest on long-term debt	124	124	-	-	124	124
Water/Sewer	-	-	9,158	8,317	9,158	8,317
Storm water	-	-	769	461	769	461
Solid waste	-	-	1,910	1,830	1,910	1,830
Total expenses	<u>12,303</u>	<u>10,218</u>	<u>11,837</u>	<u>10,608</u>	<u>24,140</u>	<u>20,826</u>
Change in net position	4,783	10,835	2,373	3,109	7,156	13,944
Net position – beginning	<u>85,796</u>	<u>74,961</u>	<u>41,218</u>	<u>38,109</u>	<u>127,014</u>	<u>113,070</u>
Net position – ending	<u>\$ 90,579</u>	<u>\$ 85,796</u>	<u>\$43,591</u>	<u>\$41,218</u>	<u>\$134,170</u>	<u>\$127,014</u>

### Expenses and Program Revenues – Governmental Activities

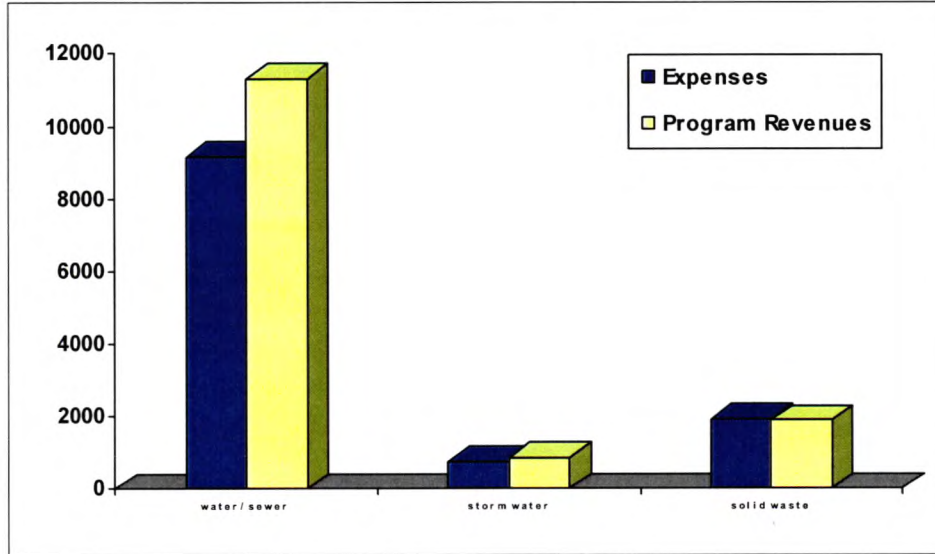


### Revenues by Source - Governmental Activities

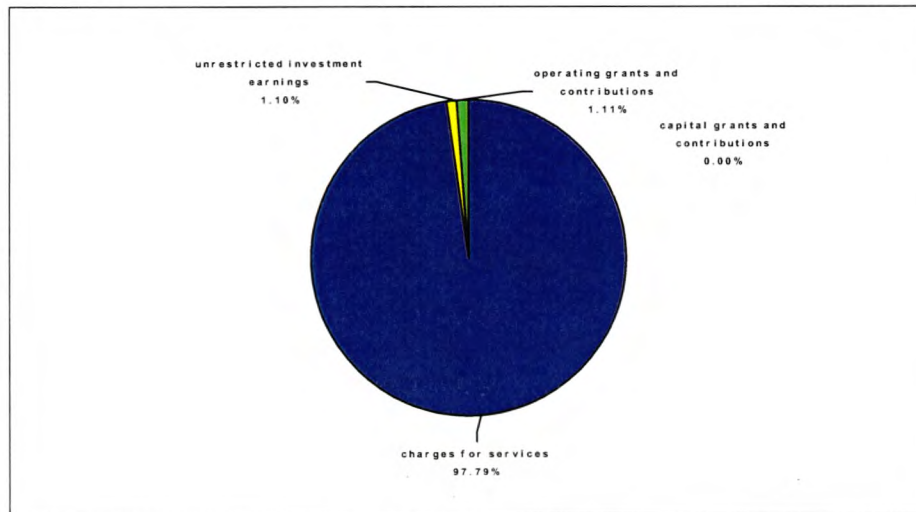


**Business-type activities.** Business-type activities increased the City of Kelso’s net position by \$2,373. Business-type activity revenues increased by \$493 and expenses increased by \$1,229 in 2022. Operating revenues exceeded operating expenses in 2022 by \$2,137 in the water/sewer fund.

**Expenses and Program Revenues – Business-type Activities**



**Revenues by Source – Business-type Activities**



The increase in net position reflects the City's commitment to accumulate sufficient reserves to fund future capital improvements in the water and sewer infrastructure.

Key elements for the change in net position are as follows:

- The City increased the water and sewer rates by 7% and 3%, respectively in 2022.
- General maintenance expenses on water and sewer facilities increased by \$380 in 2022.
- The cost of living increase for garbage hauling services increased by 7.8%
- 3.5% cost of living adjustment for City employees.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City of Kelso uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Kelso's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Kelso's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Kelso, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of the end of the current fiscal year, the City of Kelso's governmental funds reported combined ending fund balances of \$16,364 an increase of \$2,037 in comparison with the prior year. Approximately 89% of ending fund balance (\$14,632) constitutes unrestricted fund balance (unassigned, assigned, and committed), which is available for spending at the City's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it is restricted 1) to pay for housing rehabilitation (\$231), 2) to pay for low-income housing (\$98), 3) to pay for street maintenance & construction (\$57), 4) to pay for construction or debt service on certain capital projects (\$377), 5) for a variety of other restricted purposes (\$969).

As mentioned earlier, the City of Kelso maintains ten individual governmental funds. Two of these funds are classified as major funds for the purposes of this report, based on criteria set forth by the GASB. Those funds are the General Fund and the Arterial Street Fund.

The general fund is the chief operating fund of the City of Kelso. At the end of the current fiscal year, total fund balance of the general fund was \$12,085. All but \$2,007 of this fund balance is unassigned. \$893 is restricted for low-income housing, criminal justice, building permitting, and public education. \$440 has been assigned by the City for maintenance of City owned bridges. Unassigned fund balance represents 81 percent of total general fund operating expenditures (excludes capital expenditures and transfers).

The fund balance of the City of Kelso's general fund increased by \$987 during the current fiscal year. Much of this increase can, most likely, be attributed to the overall increased economic activity spurred by the COVID 19 related stimulus programs. Other reasons for this increase are discussed in the General Fund Budgetary Highlights section below.

The arterial street fund accounts for the receipt and expenditure of various grants, road maintenance fees, as well as transfers from the other funds. Revenues are designated for construction, improvement, chip sealing, seal coating, and repair of City streets. In 2022, the arterial street fund expended in excess of \$2.3 million on roadway improvements. These expenditures were offset by \$1.6 million from various grantors.

**Proprietary funds.** The City of Kelso's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water/sewer fund at the end of the year amounted to \$11,937, and for the solid waste fund amounted to \$283. The total net position for the water/sewer fund increased by \$2,175 and the total net position for the solid waste fund decreased by \$25. Factors concerning the finances of these two funds have already been addressed in the discussion of the City of Kelso's business-type activities.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget amounted to a \$999 increase in appropriations.

At the end of the year, operating revenues exceeded budgetary estimates by \$2,133 and operating expenditures and transfers were \$459 less than budgetary estimates.

Some of the factors that contributed to the increase in expected revenues are as follows:

- Sales and business tax receipts were \$1,270 higher than anticipated.
- Building permit related revenues exceeded budgetary amounts by \$287.
- Fees for engineering services exceeded budgetary amounts by \$241.

The increases realized in sales tax and building permits are mostly attributed to above normal construction activity within the City in 2022.

Some of the factors that contributed to the decrease in expected expenditures are as follows:

- The city budgeted \$253 for a low-income housing study in 2022. \$200 of this project will be completed in 2023.
- The county jail expenditures came in \$80 less than budgeted due to COVID 19 restrictions in 2022.

## Capital Asset and Debt Administration

**Capital Assets.** The City of Kelso’s investment in capital assets for its governmental and business type activities as of December 31, 2022 amounts to \$103,799 (net of related debt and accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements, machinery and equipment, park facilities, and infrastructure (roads, highways, and bridges constructed after December 31, 1979).

Major capital asset events during the current fiscal year included the following:

- Tam O’ Shanter Park Improvements – Phase 3. In 2022, the City completed phase 3 of a series of improvements at Tam O’ Shanter Park. This project consisted of improving the parking, circulation and safety for vehicles and pedestrians by adding a two-way parking lot bypass road, adding sidewalks, adding new parking areas (paved and gravel), rehabilitating the roads and parking lots, restoring a portion of an existing baseball field, improving the landscaping, the stormwater management system and installing conduit and pullboxes for future lighting. Phase 1 of this project was completed in 2019. Phase 2, which began in 2020 and was completed in 2021, continued the improvement of the circulation and parking of the first phase. The total cost of Phase 3 was \$1,109,282.
- The West Main Street Corridor – Phase 2. This project provides a direct route from SR 4 to I-5 through Kelso and improves access to SR 411. Phase 2 completed the project and included right-of-way acquisition, widening of the corridor, and intersection improvements at the SR 4 junction. Construction began in December of 2020 and was completed in 2022. The total cost of Phase 2 was \$9,273,347.
- South Kelso Railroad Crossing. This project proposes to construct a grade separated crossing over the Burlington Northern Santa Fe Railroad in south Kelso. The project is currently in the design and right of way acquisition phases. The total cost of this project through December 31, 2022, was \$6,315,145.

### City of Kelso’s Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$26,266	\$23,136	\$ 275	\$ 29	\$ 26,541	\$ 23,165
Buildings and structures	6,503	6,655	11,920	12,241	18,423	18,896
Improvements other than buildings	7,521	6,626	19,326	17,055	26,847	23,681
Machinery and equipment	986	957	1,724	1,775	2,710	2,732
Infrastructure	31,499	25,034	-	-	31,499	25,034
Leases	20	-	-	-	20	25,034
Construction in progress	<u>6,554</u>	<u>14,573</u>	<u>845</u>	<u>1,029</u>	<u>7,399</u>	<u>15,602</u>
Total	<u>\$79,349</u>	<u>\$76,981</u>	<u>\$34,090</u>	<u>\$32,129</u>	<u>\$113,439</u>	<u>\$109,110</u>

Additional information on the City of Kelso’s capital assets can be found in note IV.C.

**Long-term debt.** At the end of the current fiscal year, the City of Kelso had total bonded G.O. debt outstanding of \$3,360. 100% of this amount is backed by the full faith and credit of the City. The remainder of the City of Kelso’s debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of Kelso’s Outstanding Debt**  
General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$3,360	\$3,665	\$ -	\$ -	\$3,360	\$3,665
Revenue bonds	-	-	4,780	5,095	4,780	5,095
Total	<u>\$3,360</u>	<u>\$3,665</u>	<u>\$4,780</u>	<u>\$5,095</u>	<u>\$8,140</u>	<u>\$8,760</u>

The City of Kelso’s total bonded debt decreased by \$620 during the current fiscal year.

In addition to the bonded debt mentioned above, the City has two Drinking Water State Revolving Fund loans outstanding at year end. The total amount outstanding at year end for these loans is \$3,332.

Additional information on the City of Kelso’s long-term debt can be found in note IV.E.

The City of Kelso is authorized to issue debt pursuant to the Acts of the State of Washington. With voter approval the City can issue debt up to 2.5 percent of the assessed valuation of taxable property within the City. Without a vote, the City can incur debt up to an amount equal to 1.5 percent of the assessed valuation. Further, voted indebtedness is permitted for water, artificial lights, and sewerage up to 2.5 percent of assessed valuation, with an additional 2.5 percent available for acquiring open space for park facilities. The combination of unlimited tax (voted) and limited tax (non-voted) general obligation debt for all purposes cannot exceed 7.5 percent of assessed valuation.

**Economic Factors and Next Year’s Budgets and Rates**

- The annual average unemployment rate for the Kelso/Longview metropolitan area in 2022 was 5.7 percent, which is a decrease from a rate of 6.4 percent in 2021. This compares unfavorably to the State’s average unemployment rate of 4.2 percent and the national average rate of 3.6 percent.
- For the 2023/2024 biennium, the City will maintain the 2% increase for utility taxes on water, sewer, and garbage that was implemented in the 2017/2018 biennium.
- The City’s ability to raise property taxes has been limited by Initiative 747. I-747 is a voter approved initiative that reduces the allowable property tax growth limit to the lower of 1 percent or the Implicit Price Deflator.

All of these factors were considered in preparing the City of Kelso’s budget for the 2023 fiscal year.

At the end of the current fiscal year the unassigned fund balance in the general fund is \$10,078. In 2023, the City anticipates spending down \$674 of this unassigned fund balance. Most of the anticipated deficit stems from enhancements to the City's police department, maintenance of City Hall, as well as, conservative revenue projections.

In 2023, water and sewer rates will be increased by 7% and 3%, respectively. These rate increases are necessary to keep pace with inflation and for future capital upgrades.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Kelso's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, P.O. Box 819, Kelso, Washington 98626.



**BASIC  
FINANCIAL  
STATEMENTS**

**City of Kelso**  
**Statement of Net Position**  
**December 31, 2022**

	<b>PRIMARY GOVERNMENT</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash & cash equivalents	\$ 18,875,750	\$ 14,119,360	\$ 32,995,110
Receivables (net of allowance for uncollectible):	3,463,252	2,381,732	5,844,984
Net pension asset	3,331,563	362,834	3,694,397
Long-term notes receivable	266,053	-	266,053
Restricted assets	-	2,937,617	2,937,617
Capital assets not being depreciated:			
Land	26,266,032	274,779	26,540,811
Construction in progress	6,554,532	844,981	7,399,513
Capital assets net of accumulated depreciation:			
Buildings	6,502,848	11,919,913	18,422,761
Improvements other than buildings	7,521,029	19,325,968	26,846,997
Machinery and equipment	985,585	1,724,537	2,710,122
Leases	20,163	-	20,163
Infrastructure	31,498,737	-	31,498,737
Total assets	<u>105,285,544</u>	<u>53,891,721</u>	<u>159,177,265</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to charge on refunding	19,928	-	19,928
Related to pensions	2,005,487	409,824	2,415,311
Related to OPEB	54,270	-	54,270
Related to asset retirement obligations	50,823	190,800	241,623
Total deferred outflows of resources	<u>2,130,508</u>	<u>600,624</u>	<u>2,731,132</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	912,374	909,674	1,822,048
Interest payable	10,211	26,009	36,220
Unearned revenue	3,473,895	45,881	3,519,776
Liabilities payable from restricted assets	-	236,243	236,243
Long-term liabilities:			
Due within one year	575,386	608,470	1,183,856
Due in more than one year	3,697,060	8,084,928	11,781,988
Net pension liability	312,038	208,026	520,064
Total OPEB liability	5,269,207	-	5,269,207
Asset retirement obligation	203,291	335,200	538,491
Total liabilities	<u>14,453,462</u>	<u>10,454,431</u>	<u>24,907,893</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	1,596,331	447,336	2,043,667
Related to leases	786,932	-	786,932
Total deferred inflows of resources	<u>2,383,263</u>	<u>447,336</u>	<u>2,830,599</u>
<b>NET POSITION</b>			
Net investment in capital assets	75,746,017	28,052,800	103,798,817
Restricted for:			
Pensions	3,760,898	325,322	4,086,220
Capital projects	377,010	-	377,010
Promotion of tourism	166,786	-	166,786
Paths and trails	7,885	-	7,885
Street maintenance/construction	57,181	-	57,181
Criminal Justice	31,189	-	31,189
Affordable housing	97,953	-	97,953
Housing/neighborhood rehabilitation	230,580	-	230,580
Public education	61,995	-	61,995
Building permitting	701,465	-	701,465
Unrestricted	9,340,368	15,212,456	24,552,824
Total net position	<u>\$ 90,579,327</u>	<u>\$ 43,590,578</u>	<u>\$ 134,169,905</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF KELSO**  
**Statement of Activities**  
**For the Year Ended December 31, 2022**

Functions/Programs	Expenses	Program Revenues			Net (expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,745,985	\$ 324,653	\$ -	\$ -	\$ (2,421,332)	\$ -	\$ (2,421,332)
Security of persons and property	5,338,426	514,687	104,204	-	(4,719,535)	-	(4,719,535)
Transportation	2,023,635	488,219	51,254	1,751,246	267,084	-	267,084
Economic environment	529,122	431,455	40,972	-	(56,695)	-	(56,695)
Culture and recreation	1,541,894	137,554	11,000	531,295	(862,045)	-	(862,045)
Interest on long-term debt	124,329	-	-	-	(124,329)	-	(124,329)
Total governmental activities	<u>12,303,391</u>	<u>1,896,568</u>	<u>207,430</u>	<u>2,282,541</u>	<u>(7,916,852)</u>	<u>-</u>	<u>(7,916,852)</u>
Business-type activities:							
Water/Sewer	9,158,052	11,196,462	134,483	-	-	2,172,893	2,172,893
Solid waste	1,909,916	1,883,714	-	-	-	(26,202)	(26,202)
Storm water	769,488	815,518	23,554	-	-	69,584	69,584
Total business-type activities	<u>11,837,456</u>	<u>13,895,694</u>	<u>158,037</u>	<u>-</u>	<u>-</u>	<u>2,216,275</u>	<u>2,216,275</u>
Total primary government	<u>\$ 24,140,847</u>	<u>\$ 15,792,262</u>	<u>\$ 365,467</u>	<u>\$ 2,282,541</u>	<u>\$ (7,916,852)</u>	<u>\$ 2,216,275</u>	<u>\$ (5,700,577)</u>
General Revenues:							
Property taxes					1,602,701	-	1,602,701
Sales taxes					4,391,195	-	4,391,195
Utility taxes					3,723,325	-	3,723,325
Business taxes					1,136,396	-	1,136,396
Excise taxes					490,340	-	490,340
State entitlements (unrestricted)					796,996	-	796,996
Investment earnings					186,302	156,280	342,582
Miscellaneous					363,370	-	363,370
Gain on sale of capital assets					9,598	-	9,598
Total general revenues					<u>12,700,223</u>	<u>156,280</u>	<u>12,856,503</u>
Change in net position					<u>4,783,371</u>	<u>2,372,555</u>	<u>7,155,926</u>
Net position - beginning					<u>85,795,956</u>	<u>41,218,023</u>	<u>127,013,979</u>
Net position - ending					<u>\$ 90,579,327</u>	<u>\$ 43,590,578</u>	<u>\$ 134,169,905</u>

The notes to the financial statements are an integral part of this statement.

**City of Kelso**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2022**

	General Fund	Arterial Street Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash & cash equivalents	\$ 14,335,620	\$ 2,697,127	\$ 1,202,097	\$ 18,234,844
Receivables (net):				
Taxes	1,932,556	-	35,826	1,968,382
Accounts	420,240	15,957	17,876	454,073
Assessments	-	4,329	-	4,329
Leases	790,328	-	-	790,328
Due from other governments	136,986	107,847	-	244,833
Long-term notes receivable	-	-	266,053	266,053
Total assets	<u>\$ 17,615,730</u>	<u>\$ 2,825,260</u>	<u>\$ 1,521,852</u>	<u>\$ 21,962,842</u>
<b>LIABILITIES</b>				
Accounts payable	848,550	63,820	4	912,374
Unearned revenue	3,469,566	4,329	-	3,473,895
Total liabilities	<u>4,318,116</u>	<u>68,149</u>	<u>4</u>	<u>4,386,269</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property tax	59,153	-	-	59,153
Unavailable revenue-municipal court	80,407	-	-	80,407
Unavailable revenue-settlements	286,196	-	-	286,196
Unavailable revenue-leases	786,932	-	-	786,932
Total deferred inflows of resources	<u>1,212,688</u>	<u>-</u>	<u>-</u>	<u>1,212,688</u>
<b>FUND BALANCES (DEFICITS)</b>				
Restricted for:				
Paths and trails	-	-	7,885	7,885
Promotion of tourism	-	-	166,786	166,786
Housing/neighborhood rehabilitation	-	-	230,580	230,580
Low income housing	97,953	-	-	97,953
Criminal justice	31,189	-	-	31,189
Street maintenance/construction	-	-	57,181	57,181
Capital projects	-	-	377,010	377,010
Public education	61,995	-	-	61,995
Building permitting	701,465	-	-	701,465
Assigned to:				
Debt service	-	-	192,489	192,489
Bridge maintenance	439,916	-	-	439,916
Recreation	-	-	11,141	11,141
Neighborhood rehabilitation	-	-	420,119	420,119
Street maintenance/construction	-	2,757,111	-	2,757,111
Subsequent year budget	674,000	-	-	674,000
Promotion of tourism	-	-	58,657	58,657
Unassigned	10,078,408	-	-	10,078,408
Total fund balances	<u>12,084,926</u>	<u>2,757,111</u>	<u>1,521,848</u>	<u>16,363,885</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 17,615,730</u>	<u>\$ 2,825,260</u>	<u>\$ 1,521,852</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	78,664,518
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	425,756
Net Pension and Total OPEB Assets or Liabilities are not considered to represent a financial resource or liability and, therefore, are not reported in the funds.	(1,896,256)
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	1,326,621
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(4,305,197)
Net position of governmental activities	<u>\$ 90,579,327</u>

The notes to the financial statements are an integral part of this statement.

**City of Kelso**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2022**

	General Fund	Arterial Street Fund	Other Governmental Funds	Total
<b>Revenues</b>				
Taxes	\$ 10,664,418	\$ -	\$ 674,030	\$ 11,338,448
Licenses and permits	229,540	-	-	229,540
Intergovernmental	1,711,251	2,916,214	47,355	4,674,820
Charges for services	1,633,323	184,005	17,192	1,834,520
Fines	104,098	-	-	104,098
Investment earnings	153,720	312	33,366	187,398
Contributions	4,100	-	53	4,153
Rental/lease income	112,721	-	1,586	114,307
Miscellaneous	58,975	1,059	18,323	78,357
Total revenues	<u>14,672,146</u>	<u>3,101,590</u>	<u>791,905</u>	<u>18,565,641</u>
<b>Expenditures</b>				
Current:				
General government	3,794,285	-	-	3,794,285
Security of persons and property	5,663,707	-	73,421	5,737,128
Transportation	1,117,266	14,305	-	1,131,571
Economic environment	541,775	-	833	542,608
Culture and recreation	1,258,917	-	115,796	1,374,713
Debt service:				
Principal	-	-	305,000	305,000
Interest	3,283	4,510	131,297	139,090
Capital outlay:				
General government	18,273	-	-	18,273
Security of persons and property	7,735	-	-	7,735
Transportation	6,525	2,376,337	-	2,382,862
Culture and recreation	1,183,132	-	-	1,183,132
Total expenditures	<u>13,594,898</u>	<u>2,395,152</u>	<u>626,347</u>	<u>16,616,397</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,077,248</u>	<u>706,438</u>	<u>165,558</u>	<u>1,949,244</u>
<b>Other financing sources (uses)</b>				
Proceeds from lease financing	87,766	-	-	87,766
Transfers in	290,610	2,382,038	455,700	3,128,348
Transfers out	(468,207)	-	(2,660,141)	(3,128,348)
Total other financing sources (uses)	<u>(89,831)</u>	<u>2,382,038</u>	<u>(2,204,441)</u>	<u>87,766</u>
Net change in fund balances	987,417	3,088,476	(2,038,883)	2,037,010
Fund balances - beginning	11,097,509	(331,365)	3,560,731	14,326,875
Fund balances - ending	<u>\$ 12,084,926</u>	<u>\$ 2,757,111</u>	<u>\$ 1,521,848</u>	<u>\$ 16,363,885</u>

The notes to the financial statements are an integral part of this statement.

**City of Kelso**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes In Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended December 31, 2022**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 33)	\$ 2,037,010
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,391,366
The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.	(15,116)
The net effect of funding the City's annual required contribution to the State Pension Fund.	251,584
The net effect of funding the City's post-retirement health care benefits for LEOFF 1 (Law Enforcement Officers and Fire Fighters) employees.	672,687
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(891,005)
The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	297,277
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(57,187)
Some expenses reported in the governmental funds have already been reported in the statement of activities in prior years.	681
Internal service funds are used by management to charge the costs of fleet acquisition to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	96,074
Change in net position of governmental activities (page 31)	<u>\$ 4,783,371</u>

The notes to the financial statements are an integral part of this statement.

**City of Kelso**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 7,405,559	\$ 7,405,559	\$ 8,918,592	\$ 1,513,033
Licenses and permits	149,500	149,500	229,540	80,040
Intergovernmental	627,600	925,600	928,696	3,096
Charges for services	1,143,750	1,143,750	1,617,370	473,620
Fines	151,000	151,000	103,513	(47,487)
Investment earnings	27,000	27,000	142,047	115,047
Contributions	12,500	12,500	4,100	(8,400)
Rental/lease income		-	10,871	10,871
Other miscellaneous	17,500	17,500	10,816	(6,684)
Total revenues	<u>9,534,409</u>	<u>9,832,409</u>	<u>11,965,545</u>	<u>2,133,136</u>
<b>Expenditures</b>				
General government:				
Council	182,050	182,050	159,383	22,667
Municipal court	308,100	308,100	311,729	(3,629)
Manager	385,050	385,050	372,085	12,965
Finance	718,600	733,600	726,182	7,418
Attorney	241,600	271,600	275,560	(3,960)
Police	81,000	81,000	97,718	(16,718)
Engineering	737,300	737,300	717,213	20,087
Other - unclassified	774,350	1,124,350	1,134,415	(10,065)
Total general government	<u>3,428,050</u>	<u>3,823,050</u>	<u>3,794,285</u>	<u>28,765</u>
Security of persons and property:				
Police	4,936,175	5,090,875	5,035,284	55,591
Jail	349,600	349,600	269,125	80,475
Fire	279,000	279,000	243,788	35,212
Other	122,750	122,750	115,510	7,240
Total security of persons and property	<u>5,687,525</u>	<u>5,842,225</u>	<u>5,663,707</u>	<u>178,518</u>
Transportation	209,750	254,750	262,356	(7,606)
Economic environment	397,400	776,700	541,775	234,925
Culture and recreation	7,500	7,500	14,616	(7,116)
Capital outlay	39,500	64,500	26,008	38,492
Total expenditures	<u>9,769,725</u>	<u>10,768,725</u>	<u>10,302,747</u>	<u>465,978</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(235,316)</u>	<u>(936,316)</u>	<u>1,662,798</u>	<u>2,599,114</u>
<b>Other financing sources (uses)</b>				
Proceeds from lease financing	-	-	18,273	18,273
Transfers in	60,000	60,000	6,921	(53,079)
Transfers out	(521,559)	(498,959)	(468,207)	30,752
Total other financing sources (uses)	<u>(461,559)</u>	<u>(438,959)</u>	<u>(443,013)</u>	<u>(4,054)</u>
Net change in fund balances budgetary basis	<u>(696,875)</u>	<u>(1,375,275)</u>	<u>1,219,785</u>	<u>2,595,060</u>
<b>Reconciliation of budgetary/GAAP basis:</b>				
Basis difference (See note III.B.)			<u>(232,368)</u>	
Net change in fund balance GAAP basis			<u>987,417</u>	
Fund balance - beginning			<u>11,097,509</u>	
Fund balance - ending			<u>\$ 12,084,926</u>	

The notes to the financial statements are an integral part of this statement.

**City of Kelso**  
**Arterial Street Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 15,000,500	\$ 17,979,500	\$ 2,916,214	\$ (15,063,286)
Charges for services	175,000	175,000	184,005	9,005
Investment earnings	1,000	1,000	312	(688)
Miscellaneous	1,550	1,550	1,059	(491)
Total revenues	<u>15,178,050</u>	<u>18,157,050</u>	<u>3,101,590</u>	<u>(15,055,460)</u>
<b>Expenditures</b>				
Transportation	-	-	14,305	(14,305)
Capital outlay	15,582,000	20,669,000	2,376,337	18,292,663
Debt Service:				
Interest and bond issuance costs	2,000	4,000	4,510	(510)
Total expenditures	<u>15,584,000</u>	<u>20,673,000</u>	<u>2,395,152</u>	<u>18,277,848</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(405,950)</u>	<u>(2,515,950)</u>	<u>706,438</u>	<u>3,222,388</u>
<b>Other financing sources (uses)</b>				
Transfers in	405,950	2,515,950	2,382,038	(133,912)
Total other financing sources (uses)	<u>405,950</u>	<u>2,515,950</u>	<u>2,382,038</u>	<u>(133,912)</u>
Net change in fund balance	-	-	3,088,476	3,088,476
Fund balance - beginning	(331,365)	(331,365)	(331,365)	-
Fund balance - ending	<u>\$ (331,365)</u>	<u>\$ (331,365)</u>	<u>\$ 2,757,111</u>	<u>\$ 3,088,476</u>

The notes to the financial statements are an integral part of this statement.



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**City of Kelso**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2022**

	Business-type Activities - Enterprise Funds				Equipment Reserve Internal Service Fund
	Major Funds		Non-Major Fund	Total	
	Solid Waste	Water- Sewer	Storm Water		
<b>ASSETS</b>					
Current Assets:					
Cash & cash equivalents	\$ 150,328	\$ 11,104,048	\$ 1,257,231	\$ 12,511,607	\$ 2,248,659
Restricted cash, cash equivalents, and investments:					
Customer deposits	-	236,243	-	236,243	-
Unspent revenue bond proceeds	-	2,701,374	-	2,701,374	-
Accounts receivable	314,876	1,875,235	165,621	2,355,732	1,307
Due from other governments	-	26,000	-	26,000	-
Total current assets	<u>465,204</u>	<u>15,942,900</u>	<u>1,422,852</u>	<u>17,830,956</u>	<u>2,249,966</u>
Noncurrent assets:					
Capital Assets:					
Land	-	274,779	-	274,779	-
Buildings and structures	-	16,072,242	-	16,072,242	-
Improvements other than buildings	-	32,342,687	1,307,160	33,649,847	-
Machinery and equipment	-	2,744,392	-	2,744,392	4,185,878
Construction in progress	-	844,981	-	844,981	-
Less accumulated depreciation	-	(19,877,387)	(450,432)	(20,327,819)	(2,669,714)
Total capital assets (net of accumulated depreciation)	-	32,401,694	856,728	33,258,422	1,516,164
Net pension asset	-	317,542	45,292	362,834	-
Total noncurrent assets	<u>-</u>	<u>32,719,236</u>	<u>902,020</u>	<u>33,621,256</u>	<u>1,516,164</u>
Total Assets	<u>465,204</u>	<u>48,662,136</u>	<u>2,324,872</u>	<u>51,452,212</u>	<u>3,766,130</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Related to pensions	-	358,596	51,228	409,824	-
Related to asset retirement obligations	-	190,800	-	190,800	-
Total Deferred Outflows of Resources	<u>-</u>	<u>549,396</u>	<u>51,228</u>	<u>600,624</u>	<u>-</u>

The notes to the financial statements are an integral part of this statement.

	Business-type Activities - Enterprise Funds				Internal Service Funds
	Major Funds		Non-Major Fund	Total	
	Solid Waste	Water- Sewer	Storm Water		
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	181,997	719,647	8,030	909,674	-
Compensated absences	-	22,921	4,269	27,190	-
Customer deposits	-	236,243	-	236,243	-
Accrued interest payable	-	26,009	-	26,009	-
Unearned revenue	-	45,881	-	45,881	-
Current revenue bonds payable	-	325,000	-	325,000	-
Current portion notes payable	-	256,280	-	256,280	-
Total current liabilities	<u>181,997</u>	<u>1,631,981</u>	<u>12,299</u>	<u>1,826,277</u>	<u>-</u>
Noncurrent liabilities:					
Compensated absences	-	69,163	-	69,163	-
Revenue bonds payable	-	4,940,401	-	4,940,401	-
Notes payable	-	3,075,364	-	3,075,364	-
Net pension liability	-	182,023	26,003	208,026	-
Asset retirement obligations	-	335,200	-	335,200	-
Total noncurrent liabilities	<u>-</u>	<u>8,602,151</u>	<u>26,003</u>	<u>8,628,154</u>	<u>-</u>
Total Liabilities	<u>181,997</u>	<u>10,234,132</u>	<u>38,302</u>	<u>10,454,431</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to pensions	-	391,419	55,917	447,336	-
Total Deferred Inflows of Resources	<u>-</u>	<u>391,419</u>	<u>55,917</u>	<u>447,336</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	-	26,364,316	856,728	27,221,044	1,516,164
Restricted for pensions	-	284,719	40,603	325,322	-
Unrestricted	283,207	11,936,946	1,384,550	13,604,703	2,249,966
Total net position	<u>\$ 283,207</u>	<u>\$ 38,585,981</u>	<u>\$ 2,281,881</u>	<u>41,151,069</u>	<u>\$ 3,766,130</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				<u>2,439,509</u>	
Net position of business-type activities				<u>\$ 43,590,578</u>	

The notes to the financial statements are an integral part of this statement.

**City of Kelso**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2022**

	Business-type Activities - Enterprise Funds				Equipment Reser Internal Service Fund
	Major Funds		Non-Major Fund	Total	
	Solid Waste	Water- Sewer	Storm Water		
Operating revenues:					
Charges for services	\$ 1,881,416	\$ 10,939,766	\$ 812,159	\$ 13,633,341	\$ 493,800
Other operating revenue	2,298	93,513	3,359	99,170	8,594
Total operating revenues	<u>1,883,714</u>	<u>11,033,279</u>	<u>815,518</u>	<u>13,732,511</u>	<u>502,394</u>
Operating expenses:					
General operations	1,012,326	3,506,109	694,693	5,213,128	-
Contracted processing operations	595,154	2,299,398	-	2,894,552	-
Maintenance	9,737	628,620	32,740	671,097	994
Depreciation/amortization	-	990,326	19,940	1,010,266	282,912
Taxes	292,699	1,472,016	11,957	1,776,672	-
Total operating expenses	<u>1,909,916</u>	<u>8,896,469</u>	<u>759,330</u>	<u>11,565,715</u>	<u>283,906</u>
Operating income (loss)	<u>(26,202)</u>	<u>2,136,810</u>	<u>56,188</u>	<u>2,166,796</u>	<u>218,488</u>
Nonoperating revenues (expenses):					
Investment earnings	1,554	138,776	5,530	145,860	14,670
Other	-	134,483	23,554	158,037	-
Gain (loss) on capital asset disposition	-	(56,739)	(10,158)	(66,897)	9,598
Interest expense	-	(177,924)	-	(177,924)	-
Total nonoperating revenues (expenses)	<u>1,554</u>	<u>38,596</u>	<u>18,926</u>	<u>59,076</u>	<u>24,268</u>
Income (loss) before capital contributions and transfers	<u>(24,648)</u>	<u>2,175,406</u>	<u>75,114</u>	<u>2,225,872</u>	<u>242,756</u>
Change in net position	<u>(24,648)</u>	<u>2,175,406</u>	<u>75,114</u>	<u>2,225,872</u>	<u>242,756</u>
Total net position - beginning	<u>307,855</u>	<u>36,410,575</u>	<u>2,206,767</u>		<u>3,523,374</u>
Total net position - ending	<u>\$ 283,207</u>	<u>\$ 38,585,981</u>	<u>\$ 2,281,881</u>		<u>\$ 3,766,130</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				<u>146,683</u>	
Change in net position of business-type activities				<u>\$ 2,372,555</u>	

The notes to the financial statements are an integral part of this statement.

**City of Kelso**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended December 31, 2022**

	Business-type Activities - Enterprise Funds				Equipment Reserve Internal Service Fund
	Major Funds		Non-Major Fund	Totals	
	Solid Waste	Water- Sewer	Storm Water		
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 1,884,171	\$ 10,693,572	\$ 804,607	\$ 13,382,350	\$ -
Receipts from other sources	2,298	19,667	3,359	25,324	-
Receipts from interfund services provided	-	73,846	-	73,846	501,367
Payments to suppliers and service providers	(1,789,034)	(5,895,562)	(438,881)	(8,123,477)	(994)
Payments to employees	(9,525)	(1,552,360)	(189,433)	(1,751,318)	-
Payments for interfund services used	(104,834)	(587,214)	(111,986)	(804,034)	-
Net cash provided (used) by operating activities	<u>(16,924)</u>	<u>2,751,949</u>	<u>67,666</u>	<u>2,802,691</u>	<u>500,373</u>
<b>Cash flows from noncapital financing activities</b>					
Operating grants received	-	26,000	-	26,000	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>26,000</u>	<u>-</u>	<u>26,000</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>					
Proceeds from capital recovery fees	-	134,483	23,554	158,037	-
Proceeds from sale of capital assets	-	-	-	-	18,357
Acquisition and construction of capital assets	-	(2,864,613)	-	(2,864,613)	(182,260)
Principal paid on capital debt	-	(632,567)	-	(632,567)	-
Interest paid on capital debt	-	(205,207)	-	(205,207)	-
Net cash provided (used) by capital financing activities	<u>-</u>	<u>(3,567,904)</u>	<u>23,554</u>	<u>(3,544,350)</u>	<u>(163,903)</u>
<b>Cash flows from investing activities</b>					
Interest received	1,554	138,776	5,530	145,860	14,670
Net cash provided (used) by investing activities	<u>1,554</u>	<u>138,776</u>	<u>5,530</u>	<u>145,860</u>	<u>14,670</u>
Net increase (decrease) in cash and cash equivalents	(15,370)	(651,179)	96,750	(569,799)	351,140
Cash and cash equivalents, January 1	165,698	14,692,844	1,160,481	16,019,023	1,897,519
Cash and cash equivalents, December 31	<u>\$ 150,328</u>	<u>\$ 14,041,665</u>	<u>\$ 1,257,231</u>	<u>\$ 15,449,224</u>	<u>\$ 2,248,659</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	\$ (26,202)	\$ 2,136,810	\$ 56,188	\$ 2,166,796	\$ 218,488
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	990,326	19,940	1,010,266	282,912
(Increase) decrease in accounts receivable	2,755	(320,105)	(7,552)	(324,902)	(1,027)
Increase (decrease) in customer deposits	-	(9,066)	-	(9,066)	-
Increase (decrease) in accounts payable	6,523	70,452	3,337	80,312	-
Increase (decrease) in compensated absences	-	7,852	(143)	7,709	-
Increase (decrease) in unearned revenues	-	(8,682)	-	(8,682)	-
Increase (decrease) in pension expense	-	(115,638)	(4,104)	(119,742)	-
Total adjustments	<u>9,278</u>	<u>615,139</u>	<u>11,478</u>	<u>635,895</u>	<u>281,885</u>
Net cash provided (used) by operating activities	<u>\$ (16,924)</u>	<u>\$ 2,751,949</u>	<u>\$ 67,666</u>	<u>\$ 2,802,691</u>	<u>\$ 500,373</u>
<b>Schedule of non-cash investing activities:</b>					
Capital assets financed through accounts payable	\$ -	\$ (235,104)	\$ -	\$ (235,104)	\$ -

The notes to the financial statements are an integral part of this statement.

**City of Kelso**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2022**

	<u><b>Airport Custodial Fund</b></u>
<b>Assets</b>	
Cash & cash equivalents	\$ 1,222,657
Receivables	23,068
Other assets	<u>112,510</u>
Total assets	<u><u>1,358,235</u></u>
 <b>Liabilities</b>	
Accounts payable	45,503
Other Liabilities	<u>472,217</u>
Total liabilities	<u><u>517,720</u></u>
 <b>Net Position</b>	
Restricted for:	
Regional airport	<u>840,515</u>
Total net position	<u><u>\$ 840,515</u></u>

The notes to the financial statements are an integral part of this statement.

**City of Kelso**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended December 31, 2022**

	<u><b>Airport Custodial Fund</b></u>
<b>Additions</b>	
Collections from regional airport tenants	\$ 185,689
Governmental grants and subsidies received	393,891
Miscellaneous	6,743
Total contributions	<u>586,323</u>
Investment earnings:	
Interest	8,273
Total investment earnings	<u>8,273</u>
Total additions	<u>594,596</u>
 <b>Deductions</b>	
Payments to vendors for airport operations	<u>421,113</u>
Total deductions	<u>421,113</u>
Change in net position	173,483
Net position - beginning	<u>667,032</u>
Net position - ending	<u><u>\$ 840,515</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2022

**I. Summary of significant accounting policies**

The financial statements of the City of Kelso have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

**A. Reporting Entity**

The City of Kelso was incorporated in January 1889 and operates under the laws of the State of Washington applicable to a Charter Code City with a Council-Manager form of government.

The Southwest Washington Regional Airport provides airport services to the region surrounding the City of Kelso. This activity is neither directly controlled nor dependent upon the City. It is directed by a board of directors composed of representatives from the City of Kelso, the City of Longview, Washington, Cowlitz County, Washington, and the Port of Longview and derives some financial support from each of these entities. It is not a separate taxing authority. An additional interlocal agreement directs the City of Kelso to maintain the financial records and reports as required by the laws of the State of Washington in addition to City's duty as Airport Treasurer. The combined financial statements therefore also include the Southwest Washington Regional Airport Custodial fund.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs for centralized services are included in program expenses reported for individual functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.



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Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and custodial fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues generally are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year-end). Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *arterial street fund* accounts for the receipt and expenditure of various grants, road maintenance fees, as well as transfers from the other funds. Revenues are designated for construction, improvement, chip sealing, seal coating, and repair of streets and arterial streets or for payment of related municipal indebtedness.

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The City reports the following major proprietary funds:

The *water and sewer fund* accounts for operations of providing water and sewer services.

The *solid waste fund* accounts for operations of providing garbage collection services.

Additionally, the City reports the following fund types:

The *internal service fund* accounts for fleet management and acquisition services provided to other departments of the City.

The *custodial fund* reports assets held for the Southwest Washington Regional Airport.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water/sewer enterprise fund, the solid waste enterprise fund, the stormwater drainage enterprise fund and the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **D. Employee retirement systems and pension plans**

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all State sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including

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refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating the restricted net position related to the net pension asset, the City includes the net pension asset and the related deferred outflows and deferred inflows.

**E. Assets, liabilities, deferred outflows/inflows of resources and net position or fund balance**

***1. Deposits and investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U. S. Treasury, U.S. Agencies, obligations of the State of Washington, general obligations of Washington State municipalities, bankers' acceptances, certificates of deposit with Washington State banks, and the State Treasurer's Investment Pool.

Investments Measured at Amortized Cost

As of December 31, 2022, the City has \$24,572,998 invested in the Washington State Treasurer's Investment Pool. These investments are reported at amortized cost. The State Treasurer's Investment Pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASB for external investment pools who wish to measure all of its investments at amortized cost.

The City's investment in the State's investment pool is not rated. However, the investment pool's investment policy limits the types of securities available for investment to obligations of the U.S. government or its agencies, obligations of government-sponsored corporations, bankers' acceptances, commercial paper, certificates of deposit, or obligations of the State of Washington or its political subdivisions. Bankers' acceptances and commercial paper must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations at the time of purchase.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

As of December 31, 2022, all of the City's Investments were in the Washington State Treasurer's Investment Pool.

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**2. *Receivables and payables***

Customer accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided, as well as, court ordered fines. Taxes receivable consist of property, sales, and utility taxes and related interest and penalties (See Note V.B.). Special assessments consist of assessments which are recorded when levied and are liens against the property benefited. There are no delinquent special assessments as of December 31, 2022.

Because property taxes, special assessments, and utility billings are considered liens on property, no estimated uncollectible amounts are established. Receivables from court ordered fines are shown net of allowance for uncollectibles. All other receivables are considered immaterial and the direct write off method is used.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**3. *Inventories***

Inventories in governmental and proprietary funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure/expense at the time individual inventory items are purchased. Ending inventories of materials and supplies are not recorded in governmental or proprietary funds as they are immaterial.

**4. *Restricted assets***

Certain proceeds of the City’s water/sewer fund revenue bonds, as well as, certain proceeds received from customers deposits for water service are classified as restricted assets.

The restricted assets of the enterprise funds consist of \$236,243 which is cash and investments held for customer deposit refunds and \$2,701,374 which represents unspent bond proceeds earmarked for infrastructure upgrades in the water/sewer fund.

**5. *Capital assets***

Capital assets – which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) – are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if

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purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Intangible assets are defined as a right to use assets. A right to use asset is the City's right to use an underlying asset within a lease agreement as defined by GASB Statement No. 87.

The City recognizes a distinction between capital assets acquired prior to December 31, 2016, and those acquired/placed in service after that date. Prior to December 31, 2016, a capital asset was defined as an individual asset with an initial value in excess of \$5,000 and a useful life in excess of one year. Subsequent to December 31, 2016, the City adjusted its definition of capital assets to identify the following thresholds:

- A capital asset is defined as an individual asset with an initial value in excess of \$5,000 and a useful life in excess of one year
- Public domain infrastructure consists of general use assets with an initial value of at least \$100,000 and having a useful life of at least one year. Infrastructure typically includes streets and roads, sidewalks, curbs, gutters, and lighting.
- System infrastructure is comprised of collections, treatment, and distribution systems related to the City's utility operations with an initial value of at least \$100,000 and having a useful life of at least one year. These include water treatment and distribution, sewer collection and treatment, and storm water collection systems assets.

The adjusted thresholds for infrastructure have been applied prospectively for qualifying assets placed into service after December 31, 2016. Assets capitalized under previous thresholds will be removed from inventory once fully depreciated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, equipment and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 - 75
Improvements	10 - 75
Public domain infrastructure	10 - 75
System infrastructure	10 - 75
Vehicles	5 - 20
Office equipment	3 - 15
Computer equipment	3 - 10

Water and sewer infrastructure assets are depreciated beginning in the year after they are put in service.

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**6. *Deferred outflows/inflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

**7. *Compensated absences***

It is the City's policy to permit employees to accumulate earned but unused vacation, comp-time, and sick pay benefits. All vacation, comp-time, and eligible sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vacation pay is payable up to 240 hours upon resignation, retirement or death.

**8. *Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. *Net position/Fund balance***

The difference between fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is "net position" on the government-wide, proprietary, and fiduciary fund statements, and is "fund balance" on the governmental fund statements.

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***10. Fund balance components***

The fund balance amounts for governmental funds have been classified in accordance with GASB Statement No. 54. Amounts are reported as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.
- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the City Council, the City's highest level of decision-making authority. City Council can commit fund balance by passing an ordinance and may modify or rescind the ordinance at any time through the passage of an additional ordinance.
- Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the remaining amounts within the fund that are not classified as nonspendable and are neither restricted nor committed. The City Council is the only body authorized to assign fund balances and can delegate that authority to other bodies or individuals.
- Unassigned fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

Each fund has been analyzed to classify the fund balance in accordance with GASB Statement No. 54.

Generally, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed in order by committed, assigned, and unassigned resources as they are needed.

The City does not have a formal minimum fund balance policy.

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**11. Data reclassifications**

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

**II. Reconciliation of government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental funds balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(4,305,197) difference are as follows:

Bonds payable	\$(3,360,000)
Deferred charges/loss on issuance (to be amortized over life of debt)	19,928
Premium on G.O. Bond (to be amortized over life of debt)	(230,794)
Leases payable	(22,154)
Accrued interest payable	(10,211)
Compensated absences	(549,498)
Net asset retirement obligation	<u>(152,468)</u>
 Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	 <u>\$(4,305,197)</u>

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.” The details of this \$78,664,518 difference are as follows:

Capital assets used in governmental fund operations	\$106,553,503
Less: Accumulated depreciation	<u>(27,888,985)</u>
 Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	 <u>\$78,664,518</u>

Another element of that reconciliation explains that “Net Pension and Total OPEB Assets or Liabilities are not considered to represent a financial resource or liability and, therefore, are not reported in the funds. The details of this \$(1,896,256) difference are as follows:



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Total OPEB liability	\$(5,379,207)
Net pension liability	(312,038)
Net pension asset	3,331,563
Deferred inflows related to pensions	(1,596,331)
Deferred outflows related to OPEB	54,270
Deferred outflows related to pensions	<u>2,005,487</u>
 Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	 <u><u>\$(1,896,256)</u></u>

Another element of that reconciliation explains that “Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. The details of this \$425,756 difference are as follows:

Property taxes receivable	\$ 59,153
Settlements receivable	286,196
Court ordered fines receivable – net	<u>80,407</u>
 Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	 <u><u>\$ 425,756</u></u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$2,391,366 difference are as follows:

Capital outlay	\$ 3,592,002
Depreciation/amortization expense	<u>(1,200,636)</u>
 Net adjustment to increase <i>net changes in funds balances- total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	 <u><u>\$ 2,391,366</u></u>

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Another element of that reconciliation states that “Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$(891,005) difference are as follows:

Grants receivable	\$(1,158,714)
Property tax receivable	5,509
Settlements receivable	286,196
Court ordered fines	<u>(23,996)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	<u>\$ (891,005)</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$297,277 difference are as follows:

Principal repayments general obligation debt	\$ 305,000
Principal payments lease obligations	65,611
Proceeds related to leases	(87,766)
Amortization of gain on the refunding of a bond	(3,321)
Amortization of bond premium	<u>17,753</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	<u>\$ 297,277</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(57,187) difference are as follows:

Compensated absences	\$ (6,364)
Amortization of Asset Retirement Obligation	<u>( 50,823)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	<u>\$ (57,187)</u>

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**III. Stewardship, compliance, and accountability**

**A. Budgetary information**

Biennial budgets are adopted for the general and special revenue funds on the modified accrual basis of accounting. Proprietary fund budgets are also adopted utilizing the modified accrual basis of accounting. Except as noted below, for governmental funds, there are no material differences between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in funds ledgers for all budgeted funds, but the financial statements include budgetary comparisons for biennially budgeted governmental funds only. Budgets for debt service and capital project funds are only required to be adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of the debt issues or projects, however the City of Kelso also budgets on a biennial basis as well. NCGA Statement 1 does not require, and the financial statements do not present, budgetary comparisons for proprietary fund types. Biennial budgets are adopted at the level of the fund, and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Appropriations for general and special revenue funds lapse at year-end.

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by a simple majority plus one upon second reading of the proposed ordinance amending the budget. The 2022 budget was amended two times. Budget amounts shown in the fund financial statements include the original budget amounts plus the revised budget amounts approved by the City Council. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Kelso.

**B. Budgetary/GAAP basis reconciliation**

In accordance with GASB Statement No. 54, the City reclassified certain funds within the governmental fund types for reporting purposes. For budgetary and internal reporting, the City classifies its street, library, parks, façade, and Kelso station funds as special revenue funds. (See pages 100-103 for budget-to-actual comparisons). Under GASB 54, these funds do not meet the criteria to be classified as special revenue funds and are reported as part of the general fund in the basic financial statements, thus creating a basis difference. Basis differences arise when the budgetary basis of accounting differs from the basis of accounting applicable to fund types when reporting on operations in accordance with GAAP. This difference is comprised of the following in the general fund:

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**Revenues:**

Street fund	\$ 817,645
Library fund	633,719
Kelso Station fund	91,905
Parks Fund	1,516,514

**Expenditures:**

Street fund	(804,534)
Library fund	(595,338)
Kelso Station fund	(56,901)
Parks Fund	<u>(1,835,378)</u>

Total General fund Basis difference \$ (232,368)

**IV. Detailed notes on all funds**

**A. Deposits and investments**

The City of Kelso's deposits are entirely covered by Federal Depository Insurance or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC). Under State statute, members of WPDPC may be assessed losses on a prorated basis if the pool's collateral provides insufficient coverage. Deposits collateralized in the collateral pool are considered insured, and therefore not exposed to custodial credit risk.

As of December 31, 2022 the City had the following deposits and investments:

<u>Investment type</u>	<u>Maturities</u>	<u>Fair Value</u>
<b>Cash</b>		
FDIC or WPDPC insured deposits		\$ 12,936,680
In-transit items		(360,344)
Held for Custodial Fund		(696,425)
Petty cash on hand		<u>6,050</u>
<b>Total Cash</b>		<u>11,885,961</u>
<b>Investments</b>		
State Treasurer's investment pool	< 90 days	24,572,998
Held for Custodial Fund	< 90 days	<u>(526,232)</u>
<b>Total investments</b>		<u>24,046,766</u>
<b>Total Cash, Cash Equivalents, Investments</b>		<u>\$ 35,932,727</u>

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Credit Risk

The City's investment policy limits its investment choices to include the following:

- Investment deposits, including certificates of deposit, with qualified public depositories.
- Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States. (However, this specifically excludes Collateralized Mortgage Obligations (CMOs), Real Estate Mortgage Investment Conduits (REMICs), and other Principal Only (POs) and Interest Only (IOs) obligations that are secured with mortgages issued by any federal agency, instrumentality or private firm).
- Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. (These include but are not limited to Federal Home Loan Bank notes and bonds, Federal Farm Credit Bank consolidated notes and bonds, Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.)
- Washington State Local Government Investment Pool.
- Lawfully issued debt obligations of the agencies and instrumentalities of the State of Washington and its political subdivisions that have a long-term credit rating of A1/A+ or higher by a nationally recognized rating agency at the time of investment. General obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington that have a long-term credit rating of A1/A+ or higher by a nationally recognized rating agency at the time of investment.

Custodial Credit Risk – Investments

For investments, this is the risk that in the event of the failure of a depository financial institution, the City would not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy with regard to custodial credit risk, however, for all of 2022, the City's investments were in the Washington State Local Government Investment Pool.

Concentration of Credit Risk

The City's investment policy states that no more than 90% of the total portfolio may be invested in certificates of deposits, federal agency securities, or U.S. Treasuries. Further, no more than 25% of the total portfolio will be invested in obligations of the State of Washington or its political subdivisions and no more than 10% of the portfolio in any one bond issue.

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**B. Receivables**

Receivables as of year end for the City's individual major funds and nonmajor funds in the aggregate, are as follows (amounts are expressed in thousands of dollars):

	<u>General</u>	<u>Arterial Street</u>	<u>Solid Waste</u>	<u>Water/ Sewer</u>	<u>Non- major Govt. Funds</u>	<u>Non- major Prop. Funds</u>	<u>Total</u>
Receivables:							
Taxes	\$1,933	\$ -	\$ -	\$ -	\$ 36	\$ -	\$1,969
Accounts	420	16	315	1,875	18	166	2,810
Special Assessments	-	4	-	-	-	-	4
Leases	790	-	-	-	-	-	790
Intergovernmental	137	108	-	26	-	-	271
Long-term notes	-	-	-	-	266	-	266
Net total receivables	<u>\$3,280</u>	<u>\$ 128</u>	<u>\$ 315</u>	<u>\$1,901</u>	<u>\$ 320</u>	<u>\$ 166</u>	<u>\$6,110</u>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of these deferrals reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 59,153	\$ -
Delinquent Court ordered fines receivable (general fund)	80,407	-
Leases receivable	786,932	-
Opioid settlement	286,196	-
Grant received (general fund)	-	3,469,566
Special assessments not due yet (arterial street fund)	-	4,329
Total deferred/unearned revenue for governmental funds	<u>\$ 1,212,688</u>	<u>\$3,473,895</u>

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**C. Capital assets**

Capital asset activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	<u>Increases</u>	<u>Decreases</u>	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$23,136,179	\$ 3,129,853	\$ -	\$26,266,032
Construction in progress	<u>14,573,265</u>	<u>3,496,502</u>	<u>11,515,235</u>	<u>6,554,532</u>
Total capital assets, not being depreciated	37,709,444	6,626,355	11,515,235	32,820,564
Capital assets, being depreciated:				
Buildings	12,065,913	-	41,576	12,024,337
Improvements other than buildings	10,145,901	1,109,282	36,650	11,218,533
Machinery and equipment	2,819,433	274,094	194,430	2,899,097
Infrastructure	<u>43,581,409</u>	<u>7,192,000</u>	<u>985,181</u>	<u>49,788,228</u>
Total capital assets being depreciated	<u>68,612,656</u>	<u>8,575,376</u>	<u>1,257,837</u>	<u>75,930,195</u>
Less accumulated depreciation for:				
Buildings	5,410,644	152,421	41,576	5,521,489
Improvements other than buildings	3,520,345	213,809	36,650	3,697,504
Machinery and equipment	1,862,455	221,611	170,554	1,913,512
Infrastructure	<u>18,547,335</u>	<u>727,337</u>	<u>985,181</u>	<u>18,289,491</u>
Total accumulated depreciation	<u>29,340,779</u>	<u>1,315,178</u>	<u>1,233,961</u>	<u>29,421,996</u>
Total capital assets, being depreciated, net	<u>39,271,877</u>	<u>7,260,198</u>	<u>23,876</u>	<u>46,508,199</u>
Governmental activities capital assets, net	<u>76,981,321</u>	<u>13,886,553</u>	<u>11,539,111</u>	<u>79,328,763</u>
Right to use assets, being amortized:				
Buildings	-	56,005	-	56,005
Machinery and equipment	-	<u>31,761</u>	-	<u>31,761</u>
Total right to use assets being amortized	-	<u>87,766</u>	-	<u>87,766</u>
Less accumulated amortization for right to use assets:				
Buildings	-	51,722	-	51,722
Machinery and equipment	-	<u>15,881</u>	-	<u>15,881</u>
Total accumulated amortization	-	<u>67,603</u>	-	<u>67,603</u>
Total capital assets, being amortized, net	-	<u>20,163</u>	-	<u>20,163</u>
Governmental activities capital assets, net	<u>\$76,981,321</u>	<u>\$13,906,716</u>	<u>\$11,539,111</u>	<u>\$79,348,926</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 28,712	\$ 246,067	\$ -	\$ 274,779
Construction in progress	<u>1,028,688</u>	<u>2,782,037</u>	<u>2,965,744</u>	<u>844,981</u>
Total capital assets, not being depreciated	<u>1,057,400</u>	<u>3,028,104</u>	<u>2,965,744</u>	<u>1,119,760</u>
Capital assets, being depreciated:				
Buildings and structures	16,072,242	-	-	16,072,242
Improvements other than buildings	30,865,959	2,783,888	-	33,649,847
Machinery and equipment	<u>4,530,287</u>	<u>114,961</u>	-	<u>4,645,248</u>
Total capital assets being depreciated	<u>51,468,488</u>	<u>2,898,849</u>	-	<u>54,367,337</u>
Less accumulated depreciation for:				
Buildings and structures	3,830,951	321,378	-	4,152,329
Improvements other than buildings	13,811,075	512,804	-	14,323,879
Machinery and equipment	<u>2,754,660</u>	<u>166,051</u>	-	<u>2,920,711</u>
Total accumulated depreciation	<u>20,396,686</u>	<u>1,000,233</u>	-	<u>21,396,919</u>
Total capital assets, being depreciated, net	<u>31,071,802</u>	<u>1,898,616</u>	-	<u>32,970,418</u>
Business-type activities capital assets, net	<u>\$32,129,202</u>	<u>\$ 4,926,720</u>	<u>\$ 2,965,744</u>	<u>\$34,090,178</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 91,643
Security of persons and property	13,373
Transportation	831,759
Economic environment	3,263
Culture and recreation	260,598
Capital assets held by the City's internal service funds are charged to various functions based on usage of assets.	<u>182,145</u>
Total depreciation expense – governmental activities	<u>\$1,382,781</u>
Business-type activities:	
Water	\$ 577,566
Sewer	301,960
Storm water drainage	19,940
Capital assets held by the City's internal service funds are charged to various functions based on usage of assets.	<u>100,767</u>
Total depreciation expense – business-type activities	<u>\$1,000,233</u>



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**D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of December 31, 2022 is as follows:

<b>Transfers:</b>			
<u>Transfer out</u>	<u>Transfer in</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Arterial Street	\$ 405,950	Roadway Improvements
General fund	General fund	<u>62,257</u>	Routine operating
<b>Sub-Total</b>		468,207	
Nonmajor govt.	General fund	228,353	Routine operating
	Arterial Street	1,976,088	Roadway Improvements
	Nonmajor govt.	20,000	Routine operating
	Nonmajor govt.	<u>435,700</u>	Debt service
<b>Sub-Total</b>		2,660,141	
<b>Total</b>		<u>\$3,128,348</u>	

**E. Long-term debt**

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. The debt service on general obligation bonds is paid from debt service funds. Debt service for voter approved issues is funded by special property tax levies. Debt service for City Council authorized or Councilmanic issues are funded from general government revenue sources. The original amount of general obligation bonds issued in prior years was \$5,910,000. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities – City Hall construction	.60% – 3.80%	\$1,115,000
Governmental activities – Roadway improvements	2.00% – 4.00%	<u>2,245,000</u>
		<u>\$3,360,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year ending</u> <u>December 31</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 310,000	\$ 122,535
2024	320,000	114,210
2025	335,000	104,660
2026	335,000	94,630
2027	350,000	81,600
2028-2032	1,090,000	240,590
2033-2037	<u>620,000</u>	<u>50,200</u>
Total	<u>\$3,360,000</u>	<u>\$ 808,425</u>

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The City of Kelso was awarded a Drinking Water State Revolving Fund Loan (DWSRF) in the amount of \$4,529,850 for the replacement of a reservoir and the addition of a transmission line associated with the reservoir.

Government loans outstanding at year-end are as follows:

<u>Issuance</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
2016 DWSRF – \$4,529,850	Business-type activities	1.50%	<u>\$3,331,644</u>
Total government loans			<u>\$3,331,644</u>

Annual debt service requirements to maturity for governmental loans are as follows:

<u>Year ending</u> <u>December 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	256,280	49,675
2024	256,280	46,131
2025	256,280	42,286
2026	256,280	38,442
2027	256,280	34,598
2029-2032	1,281,402	115,326
2033-2037	<u>768,842</u>	<u>23,065</u>
Total	<u>\$3,331,644</u>	<u>\$ 349,523</u>

Revenue bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years was \$5,405,000. Water/Sewer revenue bond covenants require that revenue available for debt service (defined as operating and nonoperating revenues less expenses requiring payment to outside entities) exceed the annual debt payment of both principal and interest by a ratio of 1.25 to 1. The City remains in compliance with that provision with a current ratio of 7.02 to 1 coverage. See page 129.

Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Water/Sewer Refunding and Improvements	2.25 - 3.00%	<u>\$4,780,000</u>
		<u>\$4,780,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year ending</u> <u>December 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 325,000	\$ 150,188
2024	340,000	140,737
2025	345,000	130,988
2026	360,000	120,787
2027	370,000	110,438
2028-2032	1,720,000	384,488
2033-2037	795,000	161,437

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2038-2042	<u>525,000</u>	<u>43,162</u>
Total	<u>\$4,780,000</u>	<u>\$1,242,225</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 3,665,000	\$ -	\$ 305,000	\$ 3,360,000	\$ 310,000
G.O. bond premium	248,547	-	17,753	230,794	-
Compensated absences	543,134	549,498	543,134	549,498	137,375
Net Pension liability	176,940	135,098	-	312,038	-
Total OPEB liability	6,046,108	127,286	794,187	5,379,207	110,000
Leases	-	87,766	65,612	22,154	18,011
Asset retirement obligations	<u>203,291</u>	-	-	<u>203,291</u>	-
Governmental activity					
Long-term liabilities	<u>\$10,883,020</u>	<u>\$ 899,648</u>	<u>\$1,725,686</u>	<u>\$10,056,982</u>	<u>\$ 575,386</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 5,095,000	\$ -	\$ 315,000	\$ 4,780,000	\$ 325,000
Revenue bond premium	512,493	-	27,092	485,401	-
Drinking Water State					
Revolving Fund	3,649,211	-	317,567	3,331,644	256,280
Compensated absences	88,644	96,353	88,644	96,353	27,190
Net Pension liability	97,386	110,640	-	208,026	-
Asset retirement obligations	<u>335,200</u>	-	-	<u>335,200</u>	-
Business-type activity					
Long-term liabilities	<u>\$ 9,777,934</u>	<u>\$ 206,993</u>	<u>\$ 748,303</u>	<u>\$ 9,236,624</u>	<u>\$ 608,470</u>

For the governmental activities, compensated absences are generally liquidated by the general fund. Pension and OPEB liabilities are also liquidated by the general fund.

Other Debt Disclosures

The City recognizes a liability relative to GASB Statement No. 83 pertaining to the eventual disposition of underground fuel storage tanks located at the Southwest Washington Regional Airport and various sewage treatment plants throughout the City. The City has also recognized a liability for the eventual disposition of one of its wells. These obligations, imposed by the Washington State Department of Ecology under the requirements of WAC 173-360A-0810, were estimated through consulting professionals and or the City Engineer. The remaining useful life of these asset/obligations range from 1 to 10 years and there are no legally required funding or assurance provisions associated with the obligations. As a result, a liability of \$335,200 has been recorded in the proprietary fund financial statements and a liability of \$538,491 has been recorded in the government-wide financial statements.

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**F. Leases**

City as Lessor

At December 31, 2022, the City has five lease receivables in which it is acting as Lessor. During 2022, the City recognized \$80,701 in lease principal payments and \$534 in lease interest revenue. For reporting purposes, these leases became effective on January 1, 2022. These leases range from 46 to 187 months. Three of these leases are to telecommunications companies for land space to house cell phone towers. One of the leases is a land lease to a business that has put in a coffee shop. The fifth lease is for a building that houses the local Chamber of Commerce and visitor's center. The City is assuming the full extension periods will be used on all applicable leases.

The City's schedule of future payments included in the measurement of the lease receivable is as follows:

Year ending <u>December 31</u>	Lease Receivables		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 80,424	\$ 1,698	\$ 82,122
2024	79,906	2,872	82,778
2025	77,134	3,949	81,083
2026	59,412	4,207	63,619
2027	60,481	5,291	65,772
2028-2032	261,783	38,097	299,880
2033-2037	<u>171,188</u>	<u>38,839</u>	<u>210,027</u>
Total	<u>\$ 790,328</u>	<u>\$ 94,953</u>	<u>\$ 885,281</u>

City as Lessee

At December 31, 2022, the City has six leases in which it is acting as Lessee for office equipment and library space. Refer to Note I.5, Capital Assets, for information related to Right to Use assets accounted for through these leases.

The Governmental Activities has six leases, five for equipment and one for library space. The lease information is as follows:

<u>Purpose</u>	<u>Period ending</u>	<u>Payment Periods</u>
Copier	2/28/2024	Monthly
Copiers (4)	4/30/2024	Monthly
Library Space	1/1/2023	Monthly

The City's schedule of future payments included in the measurement of the lease liability is as follows:

Year ending <u>December 31</u>	Lease Payables Govt. Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 18,011	\$ 286	\$ 18,297
2024	<u>4,143</u>	<u>104</u>	<u>4,247</u>
Total	<u>\$ 22,154</u>	<u>\$ 390</u>	<u>\$ 22,544</u>

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**V. Other information**

**A. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance.

**Washington Cities Insurance Authority**

The City of Kelso is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 166 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

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WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day-to-day operations of WCIA.

Settlements have not exceeded coverages for each of the past three fiscal years.

**Association of Washington Cities Employee Benefit Trust Health Care Program**

The City is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2022, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is

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actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The City's contribution to the Trust for the year ended December 31, 2022 was \$467,171. The AWC Trust HCP is responsible for payment of all covered claims. In 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris plans and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employer's contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with fewer than 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09

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RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (“GASB”). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110-WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor’s office.

**Unemployment Insurance**

The City is self-insured for amounts related to unemployment claims. The City pays these claims on a pay-as-you go basis and does not set aside funds for future claims. The City made the following payments for unemployment claims:

2022	\$ 101
2021	\$11,743
2020	\$16,798

**B. Property Taxes**

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities.

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year’s levy at 100 percent of market value.
October 31	Second installment is due.

Property taxes are recorded as a receivable when levied, offset by a deferred inflow of resources. During the year, property tax revenues are recognized when cash is collected. The amount of taxes receivable at year-end that would be collected soon enough to be available to pay liabilities of the current period is immaterial.

The City of Kelso may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services and 22.5 cents per \$1,000 for local Fire Pension Funds. However, the amount is reduced by the Fire District #2 annexation. Fire District #2



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may levy up to a maximum of \$1.50 per \$1,000 of assessed valuation. The City's levy is also subject to the following two limitations:

The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.

Washington State law in RCW 84.55.010 limits the growth of regular property taxes to the lesser of 1 percent per year, or the Implicit Price Deflator. Adjustments for new construction are excluded from this calculation. If the assessed valuation increases by more than 1 percent due to revaluation, the levy rate will be decreased.

The City's regular levy for 2022 was \$1.3214 per \$1,000 on an assessed valuation of \$1,217,553,016 for a total regular levy of \$1,608,789.

### **C. COVID-19 Pandemic**

In February, 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus were implemented. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions. These precautionary measures were lifted in 2022.

Because of the pandemic the City has realized reductions in admissions and lodging taxes. However, these reductions were not substantial in 2022. At this time, the full extent of any future financial impact on the City is unknown.

### **D. Contingent liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by these grantors, cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's management and counsel, the City's insurance policies are adequate to pay all known or pending claims.

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**E. Joint Municipal Utility Services Authority**

**Three Rivers Regional Waste Water Authority**

The City of Kelso entered into an interlocal agreement with Cowlitz County, the City of Longview and Beacon Hill Sewer District in 1996 to form the Three Rivers Regional Waste Water Authority (TRRWA). The TRRWA is governed by a four-member board, one from each entity, and was established to provide sewage treatment services to the citizenry of the respective participating entities. Financing of the central sewage facility is funded based on each participant's proportionate share of flow to the facility along with additional funds forwarded from the participants as system development charges are assessed to new customers. During 2022, The City of Kelso paid TRRWA a total of \$2,299,398. This agreement may not be terminated as long as there are debt obligations of the TRRWA. Upon termination, each participant's interest in the net position shall be equal to their proportionate share of payments over the previous 12 calendar months. The City does not have an equity interest in the TRRWA beyond the termination agreement. Financial statements for the TRRWA can be obtained from the City of Longview at, 1525 Broadway, Longview, WA 98632.

**F. Joint Venture**

**Southwest Washington Regional Airport Board**

In 2012, the City of Kelso entered into an interlocal agreement with Cowlitz County, the City of Longview, and the Port of Longview, to form the Airport Operations Board (The Board). The Board was created so that the participating entities can equitably share in the operations and improvements of the Southwest Washington Regional Airport. However, the City of Kelso retains final decision-making authority in all decisions as may be required of a sponsor by the Federal Aviation Administration (FAA) under the grant assurances included in Kelso's previous and future grant agreements. The Board is governed by a four-member board made up of an appointed representative from each jurisdiction.

The Board formulates its preliminary annual budget and submits it to each participating jurisdiction prior to August 1, of each year. Estimated expenses for maintenance and operations, repairs and replacements to existing facilities, capital projects, and debt service are netted against estimated airport operating revenues to determine the amount of annual subsidy required by the participating jurisdictions. Payments made to the airport by the City in 2022, were \$76,000.

This agreement may be terminated at any time upon the approval by a super-majority of the entities. All assets and liabilities acquired by the Board will remain the property of the airport and used for airport maintenance and operations consistent with FAA's Revenue Use Policy. In the event the airport ceases to operate, any assets or liabilities remaining from such property acquired after the commencement of this agreement,

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and after the full satisfaction of all federal obligations, grant repayments to the FAA, and satisfaction of FAA's Revenue Use Policy, shall be distributed to the parties in the same proportion as the financial contribution of the parties for its acquisition.

As of December 31, 2022, the City's ongoing financial responsibility is minimal. In addition, the airport has no outstanding long-term obligations and is not accumulating significant resources or experiencing fiscal stress that would cause additional material financial benefit or burden on the City in the future. The airport does not issue stand-alone financial statements.

**G. Related Party**

In January, 2019, the Cowlitz 911 Public Authority was formed to facilitate the public function of providing 911 emergency and non-emergency communications and dispatch services including an emergency communications system, and perform other system related functions. Representatives from the cities of Longview and Kelso, Longview police and fire, Cowlitz 2 Fire and Rescue, Cowlitz County Sheriff, a county commissioner, and representatives from small fire and police agencies make up the nine-member Board of Directors that oversee the center. The City of Kelso contributed \$199,118 toward the costs of services provided by Cowlitz 911 in 2022. Financial statements for Cowlitz 911 may be obtained by inquiry through the Cowlitz County Auditor's Office at 207 North Fourth Avenue, Kelso, WA 98626.

**H. Other Post Employment Benefits (OPEB)**

**Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)**

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of the GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year 2022:

<u>Aggregate Pension Amounts – All Plans</u>	
OPEB liabilities	\$ (5,379,207)
Deferred outflows of resources	\$ 54,270
OPEB expenditures	\$ (555,213)

*Plan description.* The City of Kelso administers a single-employer defined benefit healthcare plan. It is a closed plan that provides post-retirement health care benefits, in accordance with State statute to all LEOFF 1 retirees. As of December 31, 2022 there are 12 LEOFF 1 retirees covered by the benefit terms. There are no active employees or inactive employees not receiving benefits covered under this plan. This plan was closed to new entrants on October 1, 1977.

*Benefits provided.* The City reimburses one hundred percent of the amount of validated claims for medical and hospitalization costs incurred by retirees. State

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statute provides that the City's responsibility for medical payments of LEOFF 1 retirees is secondary to any other coverage retirees receive or are eligible to receive. Therefore, upon reaching the eligible age for Medicare, the City requires the retirees to apply for and utilize Medicare Part B coverage.

*Funding Policy.* Employer contributions are financed on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. Expenditures for post-retirement health care benefits are recognized as retirees report claims. During the year, expenditures of \$117,474 were recognized for post-retirement health care.

*Total OPEB Liability.* The City has elected to calculate the total OPEB liability using the alternative measurement method permitted by GASB Statement 75 for employers with plans that have fewer than one hundred total plan members. The City's total OPEB liability of \$5,379,207 was measured as of June 30, 2022, and was determined using the entry age valuation method on that date.

*Valuation assumptions and other inputs.* The total OPEB liability in the June 30, 2022 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified. Unless noted otherwise, assumptions and inputs are consistent with the 2020 LEOFF 1 OPEB Actuarial Valuation Report published by the Washington State Actuary's Office:

- **Inflation:** 2.75 percent
- **Discount rate:** 3.54 percent
- **Healthcare cost trend rates:** The medical costs rate is approximately 5.0% and varies by year. Long-term care is 4.5%. Medicare Part B premiums is approximately 5.5% and varies by year.

A 2.75% general inflation rate was used based on the CPI for Urban Wage Earners and Clerical Workers, Seattle-Tacoma-Bellevue, WA – All Items.

The discount rate is based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates are consistent with those presented in the 2019 Actuarial Valuation Report published by the Washington State Actuary's Office which were updated during the 2013-18 Demographic Experience Study for the Washington State retirement systems.

#### **Sensitivity of the Total OPEB Liability**

*Healthcare Cost Trend Rate.* The following presents the total OPEB liability of the City of Kelso calculated using the current healthcare cost trend rate of 5.0 percent, as well as what the OPEB liability would be if it were calculated using a healthcare cost

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trend rate that is 1-percentage point lower (4.0%) or 1-percentage point higher (6.0%) than the current rate.

	<b>1% Decrease (4.0%)</b>	<b>Current Healthcare Cost Trend Rate (5.0%)</b>	<b>1% Increase (6.0%)</b>
Total OPEB Liability	\$4,917,525	\$5,379,207	\$5,906,437

*Discount Rate.* The following presents the total OPEB liability of the City of Kelso calculated using the current discount rate of 3.54 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.54%) or 1-percentage point higher (4.54%) than the current rate.

	<b>1% Decrease (2.54%)</b>	<b>Current Discount Rate (3.54%)</b>	<b>1% Increase (4.54%)</b>
Total OPEB Liability	\$5,943,258	\$5,379,207	\$4,896,490

**Change in the Total OPEB Liability**

	Total OPEB Liability
Balance at 6/30/2021	<u>\$ 6,046,108</u>
Changes for the year:	
Interest cost	127,286
Changes in Experience Data and Assumptions	(486,064)
Estimated Benefit payments	<u>(308,123)</u>
Net changes	<u>(666,901)</u>
Balance at 6/30/2022	<u>\$ 5,379,207</u>

Changes in experience data and assumptions reflect a change in the discount rate from 2.16 percent in 2021 to 3.54 percent 2022. In addition, Recent federal legislation H.R. 1865, also referred to as the Further Consolidations Appropriations Act of 2020, repealed the excise or "Cadillac" tax from the Patient Protection and Affordable Care Act. It is estimated that the exclusion of the excise tax will on average reduce OPEB liabilities by roughly 6 percent.

Deferred outflows of resources of \$54,270 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2023.

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**I. Employee retirement systems and pension plans**

The following table represents the aggregate pension amounts for all plans for the year 2022:

<u>Aggregate Pension Amounts – All Plans</u>	
Pension liabilities	\$ (520,064)
Pension assets	\$ 3,694,397
Deferred outflows of resources	\$ 2,415,311
Deferred inflows of resources	\$ (2,043,667)
Pension expense/expenditures	\$ 209,325

**State Sponsored Pension Plans**

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR report may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees' Retirement System (PERS)**

PERS members include elected officials; State employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement

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benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the State Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	-
Administrative Fee	.18%	-
<b>Total</b>	<b>10.25%</b>	<b>6.00%</b>
September – December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	-
Administrative Fee	.18%	-
<b>Total</b>	<b>10.39%</b>	<b>6.00%</b>

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

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PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the State Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	-
Administrative Fee	.18%	-
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>
September – December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	-
Administrative Fee	.18%	-
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.39%</b>	<b>6.36%</b>



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The City's actual plan contributions were \$129,808 to PERS Plan 1 and \$219,734 to PERS Plan 2/3 for the year ended December 31, 2022.

**Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)**

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

**LEOFF Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2022. Employers paid only the administrative expense of 0.18 percent of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and

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Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2022.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – December 2022		
State and local governments	5.12%	8.53%
Administrative Fee	.18%	-
<b>Total</b>	<b>5.30%</b>	<b>8.53%</b>

The City’s actual contributions to the plan were \$145,445 for the year ended December 31, 2022.

The Legislature, by means of a special funding arrangement, appropriates money from the State General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the State constitution and could be changed by statute. For the State fiscal year ending June 30, 2022, the State contributed \$81,388,085 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$85,665.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2013-2018 Experience Study* and the *2021 Economic Experience Study*.

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Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit

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payments for current plan members. Based on OSA’s assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 percent was used to determine the total liability.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.0 percent was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA’s) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA’s and their target asset allocation to simulate future investment returns at various future times.

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2022, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>% Long-Term Expected Real Rate of Return Arithmetic</u>
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	<u>23%</u>	8.90%
	<b>100%</b>	

**Sensitivity of the Net Pension Liability/(Asset)**

The table below presents the City’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

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	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$ 694,798	\$ 520,064	\$ 367,562
PERS 2/3	1,066,737	( 905,833)	(2,526,423)
LEOFF 1	(922,414)	(1,052,580)	(1,165,454)
LEOFF 2	( 79,940)	(1,735,984)	(3,091,314)

**Pension Plan Fiduciary Net Position**

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2022, the City reported a total pension liability of \$520,064 for its proportionate share of the net pension liabilities as follows:

	<u>Liability (or Asset)</u>
PERS 1	\$ 520,064
PERS 2/3	\$ ( 905,833)
LEOFF 1	\$ (1,052,580)
LEOFF 2	\$ (1,735,984)

The amount of the assets reported above for the LEOFF Plan's reflect reductions for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

	<u>LEOFF 1 Asset</u>
LEOFF 1 – employer's proportionate share	\$ (1,052,580)
LEOFF 1 – State's proportionate share of the net pension liability/(asset) associated with the employer	<u>(7,119,626)</u>
TOTAL	<u>\$ (8,172,206)</u>
	<u>LEOFF 2 Asset</u>
LEOFF 2 – employer's proportionate share	\$ (1,735,984)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	<u>(1,124,533)</u>

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TOTAL \$ (2,860,517)

At June 30, the City's proportionate share of the collective net pension liabilities/assets was as follows:

Plan	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	% .022463	% .018678	% (.003785)
PERS 2/3	.028870	.024424	(.004446)
LEOFF 1	.037947	.036693	(.001254)
LEOFF 2	.075938	.063877	(.012061)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2022. Historical data was obtained from a 2011 study by the Office of the State Actuary. The State of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2022, the State of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

**Pension Expense**

For the year ended December 31, 2022, the City recognized pension expense as follows:

<u>Plan</u>	<u>Pension Expense</u>
PERS 1	\$ 152,816
PERS 2/3	(263,667)
LEOFF 1	(18,452)
LEOFF 2	338,628
TOTAL	<u>\$ 209,325</u>

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**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS Plan 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (86,190)
Contributions subsequent to the measurement date	<u>66,011</u>	<u>-</u>
<b>TOTAL PERS Plan 1</b>	<b><u>\$ 66,011</u></b>	<b><u>\$ (86,190)</u></b>
<b>PERS Plan 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 224,444	\$ (20,506)
Net difference between projected and actual investment earnings on pension plan investments	-	(669,688)
Changes of assumptions	504,877	(132,195)
Changes in proportion and differences between contributions and proportionate share of contributions	118,861	(78,334)
Contributions subsequent to the measurement date	<u>110,368</u>	<u>-</u>
<b>TOTAL PERS Plan 2</b>	<b><u>\$ 958,550</u></b>	<b><u>\$ (900,723)</u></b>
<b>LEOFF Plan 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (131,429)
<b>TOTAL LEOFF Plan 1</b>	<b><u>\$ -</u></b>	<b><u>\$ (131,429)</u></b>
<b>LEOFF Plan 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 412,498	\$ (16,107)
Net difference between projected and actual investment earnings on pension plan investments	-	(581,274)
Changes in assumptions	439,774	(151,157)
Changes in proportion and differences between contributions and proportionate share of contributions	465,471	(176,787)
Contributions subsequent to the measurement date	<u>73,007</u>	<u>-</u>
<b>TOTAL LEOFF Plan 2</b>	<b><u>\$ 1,390,750</u></b>	<b><u>\$ (925,325)</u></b>

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Notes to the Financial Statements  
December 31, 2022

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>PERS 1</u>	<u>PERS 2/3</u>	<u>LEOFF 1</u>	<u>LEOFF 2</u>
2023	\$ (36,474)	\$ (190,726)	\$ (55,664)	\$ (148,681)
2024	(33,128)	(177,499)	(50,400)	(124,369)
2025	(41,558)	(233,351)	(63,020)	(176,723)
2026	24,970	316,192	37,655	284,610
2027	-	118,538	-	106,030
Thereafter	-	<u>114,305</u>	-	<u>451,551</u>
<b>Total</b>	<u>\$ (86,190)</u>	<u>\$ (52,541)</u>	<u>\$ (131,429)</u>	<u>\$ 392,418</u>

**Other Local Government Pension System**

The City is the administrator of a single employer defined benefit pension plan, the Firemen's Pension Fund. The plan is limited to firefighters and beneficiaries employed before March 1, 1970, and as of March 1, 1970, the plan was closed to new entrants. Firefighters hired before March 1, 1970, at retirement receive the greater of the pension benefit provided under this plan or under the LEOFF plan. Any excess benefit over the LEOFF benefit is provided by the City plan. There are currently six individuals retired under the LEOFF plan, but drawing excess benefits from this plan. There are no individuals currently employed that are eligible for benefits from this plan. All future obligations of the Firemen's Pension Fund were assumed by the State pension system, LEOFF.

The Fireman's Pension Fund cash and investment balance consists of \$580,000 with the investment portion held in the State investment pool as of December 31, 2022.

A recent actuarial survey has not been done because annual benefits are approximately \$53,000 and the of cash available to pay pension benefits is \$580,000 and the average age of current retirees is 84. However, the last actuarial survey indicated that there was a net accrued liability of \$225,000 in the system that will be fully amortized with annual contributions to the plan of \$26,616 through 2024. Furthermore, there was no preparation of the schedules or required supplementary information required by GASB's 67 and 68 because, in management's opinion, future funding and contributions by the City are not material and the cost of future actuarials would outweigh the benefits.

In 2022, the City received on behalf payments from taxes on fire insurance premiums in the amount of \$15,132.



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**Required Supplementary Information**

City of Kelso  
 Schedule of Employer Contributions  
 Public Employees Retirement System Plan 1  
 As of December 31, 2022  
 Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>	<u>Fiscal Year</u> <u>2022</u>
Statutorily required contributions	\$ 119,722	\$ 135,433	\$ 149,623	\$ 165,771	\$ 164,182	\$ 148,333	\$ 142,423	\$ 129,808
Contributions in relation to the statutorily required contributions***	(119,722)	(135,433)	(149,623)	(165,771)	(164,182)	(148,333)	(142,423)	(129,808)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll**	\$ 2,653,280	\$ 2,824,028	\$ 3,053,518	\$ 3,274,719	\$ 3,319,903	\$ 3,092,506	\$ 3,317,887	\$ 3,454,926
Contributions as a percentage of employee payroll	4.51%	4.80%	4.90%	5.06%	4.95%	4.80%	4.29%	3.76%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

\* Information not available prior to 2015

\*\* Covered payroll is the payroll on which contributions to a pension plan are based.

\*\*\* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAAL.

**Required Supplementary Information**

City of Kelso  
 Schedule of Employer Contributions  
 Public Employees Retirement System Plan 2/3  
 As of December 31, 2022  
 Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>	<u>Fiscal Year</u> <u>2022</u>
Statutorily required contributions	\$ 146,061	\$ 175,210	\$ 209,473	\$ 244,652	\$ 256,283	\$ 244,927	\$ 237,013	\$ 219,734
Contributions in relation to the statutorily required contributions***	(146,061)	(175,210)	(209,473)	(244,652)	(256,283)	(244,927)	(237,013)	(219,734)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll**	\$ 2,593,780	\$ 2,812,358	\$ 3,053,518	\$ 3,274,719	\$ 3,319,903	\$ 3,092,506	\$ 3,317,887	\$ 3,454,926
Contributions as a percentage of covered payroll	5.63%	6.23%	6.86%	7.47%	7.72%	7.92%	7.14%	6.36%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

\* Information not available prior to 2015

\*\* Covered payroll is the payroll on which contributions to a pension plan are based.

\*\*\* Contributions are actual employer contributions to the plan.

**Required Supplementary Information**

City of Kelso  
 Schedule of Employer Contributions  
 Law Enforcement Officers and Fire Fighters Retirement Plan 2  
 As of December 31, 2022  
 Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>	<u>Fiscal Year</u> <u>2022</u>
Statutorily required contributions	\$ 110,458	\$ 121,594	\$ 128,018	\$ 131,270	\$ 134,931	\$ 136,101	\$ 140,215	\$ 145,445
Contributions in relation to the statutorily required contributions***	(110,458)	(121,594)	(128,018)	(131,270)	(134,931)	(136,101)	(140,215)	(145,445)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll**	\$ 2,187,286	\$ 2,407,794	\$ 2,485,109	\$ 2,452,607	\$ 2,541,980	\$ 2,599,613	\$ 2,682,185	\$ 2,789,559
Contributions as a percentage of covered payroll	5.05%	5.05%	5.15%	5.35%	5.31%	5.24%	5.23%	5.21%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

\* Information not available prior to 2015

\*\* Covered payroll is the payroll on which contributions to a pension plan are based.

\*\*\* Contributions are actual employer contributions to the plan.

**Required Supplementary Information**

City of Kelso  
**Schedule of Proportionate Share of the Net Pension Liability (Asset)**  
**Public Employees Retirement System Plan 1**  
 As of June 30, 2022  
 Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>	<u>Fiscal Year</u> <u>2022</u>
Employer's proportion of the net pension liability (asset)	0.023210%	0.022776%	0.023545%	0.025809%	0.021371%	0.021408%	0.022463%	0.018678%
Employer's proportionate share of the net pension liability (asset)	<u>\$ 1,214,099</u>	<u>\$ 1,223,179</u>	<u>\$ 1,117,229</u>	<u>\$ 1,152,639</u>	<u>\$ 821,791</u>	<u>\$ 755,818</u>	<u>\$ 274,326</u>	<u>\$ 520,064</u>
Total	<u>\$ 1,214,099</u>	<u>\$ 1,223,179</u>	<u>\$ 1,117,229</u>	<u>\$ 1,152,639</u>	<u>\$ 821,791</u>	<u>\$ 755,818</u>	<u>\$ 274,326</u>	<u>\$ 520,064</u>
Employer's covered payroll	\$ 2,609,568	\$ 2,691,098	\$ 2,986,773	\$ 3,190,174	\$ 3,276,484	\$ 3,213,903	\$ 3,198,419	\$ 3,375,834
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	46.52%	45.45%	37.41%	36.13%	25.08%	23.52%	8.58%	15.41%
Plan fiduciary net position as a percentage of the total pension liability (asset)	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

\* Information not available prior to 2015

**Required Supplementary Information**

City of Kelso  
**Schedule of Proportionate Share of the Net Pension Liability (Asset)**  
**Public Employees Retirement System Plan 2/3**  
**As of June 30, 2022**  
**Last Ten Fiscal Years**

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>	<u>Fiscal Year</u> <u>2022</u>
Employer's proportion of the net pension liability (asset)	0.028465%	0.028007%	0.030285%	0.033002%	0.027583%	0.027714%	0.028870%	0.024424%
Employer's proportionate share of the net pension liability (asset)	<u>\$ 1,017,071</u>	<u>\$ 1,410,130</u>	<u>\$ 1,052,259</u>	<u>\$ 563,480</u>	<u>\$ 267,925</u>	<u>\$ 354,446</u>	<u>\$(2,875,917)</u>	<u>\$ (905,833)</u>
Total	<u>\$ 1,017,071</u>	<u>\$ 1,410,130</u>	<u>\$ 1,052,259</u>	<u>\$ 563,480</u>	<u>\$ 267,925</u>	<u>\$ 354,446</u>	<u>\$(2,875,917)</u>	<u>\$ (905,833)</u>
Employer's covered payroll	\$ 2,549,530	\$ 2,649,405	\$ 2,986,773	\$ 3,190,174	\$ 3,276,484	\$ 3,213,903	\$ 3,198,419	\$ 3,375,834
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	39.89%	53.22%	35.23%	17.66%	8.18%	11.03%	89.92%	26.83%
Plan fiduciary net position as a percentage of the total pension liability (asset)	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

\* Information not available prior to 2015

**Required Supplementary Information**

City of Kelso  
**Schedule of Proportionate Share of the Net Pension Liability (Asset)**  
**Law Enforcement Officers and Fire Fighters Retirement Plan I**  
 As of June 30, 2022  
 Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>	<u>Fiscal Year</u> <u>2022</u>
Employer's proportion of the net pension liability (asset)	0.042208%	0.042555%	0.041694%	0.042411%	0.041496%	0.040699%	0.037947%	0.036693%
Employer's proportionate share of the net pension liability (asset)	\$ (508,700)	\$ (438,438)	\$ (632,590)	\$ (769,973)	\$ (820,215)	\$ (768,604)	\$ (1,299,898)	\$ (1,052,580)
State's proportionate share of the net pension liability (asset) associated with the employer**	\$ -	\$ -	\$ -	\$ (5,208,075)	\$ (5,547,911)	\$ (5,198,820)	\$ (8,792,478)	\$ (7,119,626)
Total	<u>\$ (508,700)</u>	<u>\$ (438,438)</u>	<u>\$ (632,590)</u>	<u>\$ (5,978,048)</u>	<u>\$ (6,368,126)</u>	<u>\$ (5,967,424)</u>	<u>\$ (10,092,376)</u>	<u>\$ (8,172,206)</u>
Employer's covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability (asset)	127.36%	123.74%	135.96%	144.42%	148.78%	146.88%	187.45%	169.62%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

\* Information not available prior to 2015

\*\* Information not available prior to 2018

**Required Supplementary Information**

City of Kelso  
**Schedule of Proportionate Share of the Net Pension Liability (Asset)**  
**Law Enforcement Officers and Fire Fighters Retirement Plan 2**  
**As of June 30, 2022**  
**Last Ten Fiscal Years**

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>	<u>Fiscal Year</u> <u>2022</u>
Employer's proportion of the net pension liability (asset)	0.072194%	0.075802%	0.077629%	0.082534%	0.066839%	0.067139%	0.075938%	0.063877%
Employer's proportionate share of the net pension liability (asset)	\$ (742,010)	\$ (440,887)	\$ (1,077,239)	\$ (1,675,620)	\$ (1,548,454)	\$ (1,369,538)	\$ (4,410,793)	\$ (1,735,984)
State's proportionate share of the net pension liability (asset) associated with the employer	<u>\$ (490,624)</u>	<u>\$ (287,426)</u>	<u>\$ (698,785)</u>	<u>\$ (1,084,932)</u>	<u>\$ (1,014,030)</u>	<u>\$ (875,716)</u>	<u>\$ (2,845,443)</u>	<u>\$ (1,124,533)</u>
Total	<u><u>\$ (1,232,634)</u></u>	<u><u>\$ (728,313)</u></u>	<u><u>\$ (1,776,024)</u></u>	<u><u>\$ (2,760,552)</u></u>	<u><u>\$ (2,562,484)</u></u>	<u><u>\$ (2,245,254)</u></u>	<u><u>\$ (7,256,236)</u></u>	<u><u>\$ (2,860,517)</u></u>
Employer's covered payroll	\$ 2,120,860	\$ 2,294,917	\$ 2,439,577	\$ 2,503,122	\$ 2,495,368	\$ 2,522,992	\$ 2,655,371	\$ 2,765,126
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	34.99%	19.21%	44.16%	66.94%	62.05%	54.28%	166.11%	62.78%
Plan fiduciary net position as a percentage of the total pension liability (asset)	111.67%	106.04%	113.36%	118.50%	119.43%	115.83%	142.00%	116.09%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.  
 \* Information not available prior to 2015



**Required Supplementary Information**

**City of Kelso  
Schedule of Changes in OPEB Liability and Related Ratios  
As of June 30, 2022  
Last Ten Fiscal Years**

	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>	<u>Fiscal Year</u> <u>2022</u>
Total OPEB liability					
Interest	\$ 213,947	\$ 223,278	\$ 216,071	\$ 127,607	\$ 127,286
Changes in experience data and assumptions	(187,842)	450,600	(308,016)	288,716	(486,064)
Estimated benefit payments	<u>(251,437)</u>	<u>(214,013)</u>	<u>(326,559)</u>	<u>(287,036)</u>	<u>(308,123)</u>
Net change in total OPEB liability	(225,332)	459,865	(418,504)	129,287	(666,901)
Total OPEB liability - beginning	<u>6,100,792</u>	<u>5,875,460</u>	<u>6,335,325</u>	<u>5,916,821</u>	<u>6,046,108</u>
Net OPEB liability - Ending	<u>\$ 5,875,460</u>	<u>\$ 6,335,325</u>	<u>\$ 5,916,821</u>	<u>\$ 6,046,108</u>	<u>\$ 5,379,207</u>
Covered employee payroll	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total OPEB liability, as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A

Note: The amounts presented for each fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

**CITY OF KELSO**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2022**

Other Postemployment Benefits Other Than Pensions

Changes in experience data and assumptions reflect a change in the discount rate from 2.16 percent in 2021 to 3.54 percent in 2022. In addition, Recent federal legislation H.R. 1865, also referred to as the Further Consolidations Appropriations Act of 2020, repealed the excise or "Cadillac" tax from the Patient Protection and Affordable Care Act. It is estimated that the exclusion of the excise tax will on average reduce OPEB liabilities by roughly 6 percent.

Deferred outflows of resources of \$54,270 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2023.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits for the OPEB plan.

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Paths & Trails Fund – this fund is used to account for the receipt of .5% of the State fuel taxes. Expenditures are restricted for City paths & trails.

Stadium Fund – this fund is used to account for the City's share of hotel-motel taxes which are used for the promotion of tourism and for the acquisition and/or operation of tourism related facilities.

Highlander Festival Fund – this fund is used to account for the revenues and expenditures associated with the City's annual festival.

The *HUD grant fund* accounts for the resources accumulated through Community Development Block Grants to implement neighborhood rehabilitation programs to assist low to moderate income property owners rehabilitate their properties.

Criminal Justice Fund – this fund is used to account for State-distributed money for criminal justice purposes only. This fund also accounts for revenues and expenditures associated with the City's drug task force.

Transportation Benefit District Fund – This fund also accounts for revenues and expenditures associated with the City's Transportation Benefit District.

### **Debt Service Funds**

Non-Voted General Obligation Bond Fund – this fund is used to account for the debt service on Council approved general obligation bonds. The City Hall and roadway improvement bonds are the only bonds outstanding.

### **Capital Projects Fund**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

City Hall Fund – this fund accounts for the receipt and expenditure of the restricted Real Estate Excise Tax distributed by the State to the City. These funds were used to construct a portion of the new city hall and to pay the future debt service on the new city hall.

**City of Kelso**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2022**

	Special Revenue					
	Paths/ Trails	Stadium	Highlander Festival	HUD Block Grant	Criminal Justice	
<b>Assets</b>						
Cash & cash equivalents	\$ 7,885	\$ 205,511	\$ 11,145	\$ 378,888	\$ -	\$ 45,063
Receivables (net)						
Accounts	-	-	-	5,758	-	12,118
Assessments/taxes	-	19,932	-	-	-	-
Long-term notes receivable	-	-	-	266,053	-	-
Total Assets	<u>7,885</u>	<u>225,443</u>	<u>11,145</u>	<u>650,699</u>	<u>-</u>	<u>57,181</u>
<b>Liabilities</b>						
Accounts payable	-	-	4	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>						
Restricted for:						
Paths and trails	7,885	-	-	-	-	-
Promotion of tourism	-	166,786	-	-	-	-
Housing/neighborhood rehabilitation	-	-	-	230,580	-	-
Street maintenance/construction	-	-	-	-	-	57,181
Capital projects	-	-	-	-	-	-
Assigned to:						
Debt service	-	-	-	-	-	-
Other purposes	-	58,657	11,141	420,119	-	-
Total Fund Balance	<u>7,885</u>	<u>225,443</u>	<u>11,141</u>	<u>650,699</u>	<u>-</u>	<u>57,181</u>
Total Liabilities and Fund Balances	<u>\$ 7,885</u>	<u>\$ 225,443</u>	<u>\$ 11,145</u>	<u>\$ 650,699</u>	<u>\$ -</u>	<u>\$ 57,181</u>

**City of Kelso**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2022**

	Total Non-Major Special Revenue Funds	Debt Service	Capital projects	Total Non-Major Governmental Funds
		Non Voted G.O. Bond	City Hall Fund	
<b>Assets</b>				
Cash & cash equivalents	\$ 648,492	\$ 192,489	\$ 361,116	\$ 1,202,097
Receivables (net)				
Accounts	17,876	-	-	17,876
Assessments/taxes	19,932	-	15,894	35,826
Long-term notes receivable	266,053	-	-	266,053
Total Assets	<u>952,353</u>	<u>192,489</u>	<u>377,010</u>	<u>1,521,852</u>
<b>Liabilities</b>				
Accounts payable	4	-	-	4
Total Liabilities	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>
<b>Fund Balances</b>				
Restricted for:				
Paths and trails	7,885	-	-	7,885
Promotion of tourism	166,786	-	-	166,786
Housing/neighborhood rehabilitation	230,580	-	-	230,580
Street maintenance/construction	57,181	-	-	57,181
Capital projects	-	-	377,010	377,010
Assigned to:				
Debt service	-	192,489	-	192,489
Other purposes	489,917	-	-	489,917
Total Fund Balance	<u>952,349</u>	<u>192,489</u>	<u>377,010</u>	<u>1,521,848</u>
Total Liabilities and Fund Balances	<u>\$ 952,353</u>	<u>\$ 192,489</u>	<u>\$ 377,010</u>	<u>\$ 1,521,852</u>

**City of Kelso**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the fiscal year ended December 31, 2022**

	Special Revenue					
	Paths and Trails	Stadium	Highlander Festival	Hud Block Grant	Criminal Justice	
<b>Revenues</b>						
Taxes	\$ -	\$ 209,832	\$ -	\$ -	\$ -	\$ 200,990
Intergovernmental	1,194	-	-	-	46,161	-
Charges for services	-	-	17,192	-	-	-
Investment earnings	-	1,798	-	4,981	59	-
Contributions	-	-	53	-	-	-
Rental/lease income	-	1,586	-	-	-	-
Miscellaneous	-	73	674	875	-	-
Total revenues	<u>1,194</u>	<u>213,289</u>	<u>17,919</u>	<u>5,856</u>	<u>46,220</u>	<u>200,990</u>
Security of persons and property	-	-	-	-	73,421	-
Economic Environment	-	-	-	833	-	-
Culture and recreation	-	77,866	37,930	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>77,866</u>	<u>37,930</u>	<u>833</u>	<u>73,421</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,194</u>	<u>135,423</u>	<u>(20,011)</u>	<u>5,023</u>	<u>(27,201)</u>	<u>200,990</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	20,000	-	-	-
Transfers out	-	(107,520)	-	-	(6,921)	(223,900)
Total other financing sources (uses)	<u>-</u>	<u>(107,520)</u>	<u>20,000</u>	<u>-</u>	<u>(6,921)</u>	<u>(223,900)</u>
Net change in fund balances	1,194	27,903	(11)	5,023	(34,122)	(22,910)
Fund balances - beginning	6,691	197,540	11,152	645,676	34,122	80,091
Fund balances - ending	<u>\$ 7,885</u>	<u>\$ 225,443</u>	<u>\$ 11,141</u>	<u>\$ 650,699</u>	<u>\$ -</u>	<u>\$ 57,181</u>

**City of Kelso**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the fiscal year ended December 31, 2022**

	Total Non-Major Special Revenue Funds	Debt Service	Capital Projects	Total Non-Major Governmental Funds
		Non-Voted G.O. Bond	City Hall Fund	
<b>Revenues</b>				
Taxes	\$ 410,822	\$ -	\$ 263,208	\$ 674,030
Intergovernmental	47,355	-	-	47,355
Charges for services	17,192	-	-	17,192
Investment earnings	6,838	22,238	4,290	33,366
Contributions	53	-	-	53
Rental/lease income	1,586	-	-	1,586
Miscellaneous	1,622	16,701	-	18,323
Total revenues	<u>485,468</u>	<u>38,939</u>	<u>267,498</u>	<u>791,905</u>
Security of persons and property	73,421	-	-	73,421
Economic Environment	833	-	-	833
Culture and recreation	115,796	-	-	115,796
Debt service:				
Principal	-	305,000	-	305,000
Interest and fiscal charges	-	131,297	-	131,297
Total expenditures	<u>190,050</u>	<u>436,297</u>	<u>-</u>	<u>626,347</u>
Excess (deficiency) of revenues over (under) expenditures	<u>295,418</u>	<u>(397,358)</u>	<u>267,498</u>	<u>165,558</u>
<b>Other financing sources (uses)</b>				
Transfers in	20,000	435,700	-	455,700
Transfers out	(338,341)	(2,110,000)	(211,800)	(2,660,141)
Total other financing sources (uses)	<u>(318,341)</u>	<u>(1,674,300)</u>	<u>(211,800)</u>	<u>(2,204,441)</u>
Net change in fund balances	(22,923)	(2,071,658)	55,698	(2,038,883)
Fund balances - beginning	975,272	2,264,147	321,312	3,560,731
Fund balances - ending	<u>\$ 952,349</u>	<u>\$ 192,489</u>	<u>\$ 377,010</u>	<u>\$ 1,521,848</u>

**City of Kelso**  
**Street Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 494,070	\$ 494,070	\$ 494,070	\$ -
Intergovernmental	276,000	276,000	250,260	(25,740)
Charges for services	8,000	8,000	4,509	(3,491)
Investment earnings	1,000	1,000	8,866	7,866
Rental/lease income	22,000	22,000	21,476	(524)
Miscellaneous	15,000	15,000	31,939	16,939
Total revenues	<u>816,070</u>	<u>816,070</u>	<u>811,120</u>	<u>(4,950)</u>
<b>Expenditures</b>				
Transportation	906,070	938,470	798,009	140,461
Capital outlay	-	-	6,525	(6,525)
Total expenditures	<u>906,070</u>	<u>938,470</u>	<u>804,534</u>	<u>133,936</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(90,000)</u>	<u>(122,400)</u>	<u>6,586</u>	<u>128,986</u>
<b>Other financing sources (uses)</b>				
Proceed from lease financing	-	-	6,525	6,525
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>6,525</u>	<u>6,525</u>
Net change in fund balances	<u>(90,000)</u>	<u>(122,400)</u>	<u>13,111</u>	<u>135,511</u>
Fund balances - beginning	766,101	766,101	766,101	-
Fund balances - ending	<u>\$ 676,101</u>	<u>\$ 643,701</u>	<u>\$ 779,212</u>	<u>\$ 135,511</u>



**City of Kelso**  
**Library Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 559,596	\$ 559,596	\$ 559,596	\$ -
Intergovernmental	-	-	1,000	1,000
Charges for services	9,300	9,300	5,404	(3,896)
Fines	2,400	2,400	585	(1,815)
Investment earnings	200	200	1,897	1,697
Miscellaneous	50	50	2,269	2,219
Total revenues	<u>571,546</u>	<u>571,546</u>	<u>570,751</u>	<u>(795)</u>
<b>Expenditures</b>				
Culture and recreation	671,546	703,546	532,370	171,176
Capital outlay	-	-	62,968	(62,968)
Total expenditures	<u>671,546</u>	<u>703,546</u>	<u>595,338</u>	<u>108,208</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,000)</u>	<u>(132,000)</u>	<u>(24,587)</u>	<u>107,413</u>
<b>Other financing sources (uses)</b>				
Proceeds from lease financing	-	-	62,968	62,968
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>62,968</u>	<u>62,968</u>
Net change in fund balances	<u>(100,000)</u>	<u>(132,000)</u>	<u>38,381</u>	<u>170,381</u>
Fund balances - beginning	<u>358,448</u>	<u>358,448</u>	<u>358,448</u>	<u>-</u>
Fund balances - ending	<u>\$ 258,448</u>	<u>\$ 226,448</u>	<u>\$ 396,829</u>	<u>\$ 170,381</u>

**City of Kelso**  
**Kelso Station Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Investment earnings	\$ 100	\$ 100	\$ 544	\$ 444
Rental/lease income	23,846	23,846	28,954	5,108
Miscellaneous	200	200	150	(50)
Total revenues	24,146	24,146	29,648	5,502
<b>Expenditures</b>				
Transportation	64,755	107,155	56,901	50,254
Total expenditures	64,755	107,155	56,901	50,254
Excess (deficiency) of revenues over (under) expenditures	(40,609)	(83,009)	(27,253)	55,756
<b>Other financing sources (uses)</b>				
Transfers in	40,609	83,009	62,257	(20,752)
Total other financing sources (uses)	40,609	83,009	62,257	(20,752)
Net change in fund balances	-	-	35,004	35,004
Fund balances - beginning	41,850	41,850	41,850	-
Fund balances - ending	\$ 41,850	\$ 41,850	\$ 76,854	\$ 35,004

**City of Kelso**  
**Parks and Recreation Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 344,675	\$ 849,675	\$ 692,160	\$ (157,515)
Intergovernmental	-	500,000	531,295	31,295
Charges for services	5,000	5,000	6,040	1,040
Investment earnings	100	100	366	266
Rental/lease income	50,000	50,000	51,420	1,420
Miscellaneous	15,000	15,000	13,801	(1,199)
Total revenues	414,775	1,419,775	1,295,082	(124,693)
<b>Expenditures</b>				
Culture and recreation	394,775	805,260	711,931	93,329
Capital outlay	20,000	1,150,000	1,120,164	29,836
Debt Service:				
Interest	-	-	3,283	(3,283)
Total expenditures	414,775	1,955,260	1,835,378	119,882
Excess (deficiency) of revenues over (under) expenditures	-	(535,485)	(540,296)	(4,811)
<b>Other financing sources (uses)</b>				
Transfers in	-	-	221,432	221,432
Total other financing sources (uses)	-	-	221,432	221,432
Net change in fund balances	-	(535,485)	(318,864)	216,621
Fund balances - beginning	114,325	114,325	114,325	-
Fund balances - ending	\$ 114,325	\$ (421,160)	\$ (204,539)	\$ 216,621

**City of Kelso**  
**Paths and Trails Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 1,300	\$ 1,300	\$ 1,194	\$ (106)
Investment earnings	5	5	-	(5)
Total revenues	<u>1,305</u>	<u>1,305</u>	<u>1,194</u>	<u>(111)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,305</u>	<u>1,305</u>	<u>1,194</u>	<u>(111)</u>
Net change in fund balances	<u>1,305</u>	<u>1,305</u>	<u>1,194</u>	<u>(111)</u>
Fund balances - beginning	6,691	6,691	6,691	-
Fund balances - ending	<u>\$ 7,996</u>	<u>\$ 7,996</u>	<u>\$ 7,885</u>	<u>\$ (111)</u>

**City of Kelso**  
**Stadium Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 175,000	\$ 175,000	\$ 209,832	\$ 34,832
Investment earnings	200	200	1,798	1,598
Rental/lease income	10,920	10,920	1,586	(9,334)
Miscellaneous	100	100	73	(27)
Total revenues	<u>186,220</u>	<u>186,220</u>	<u>213,289</u>	<u>27,069</u>
<b>Expenditures</b>				
Culture and recreation	166,220	166,220	77,866	88,354
Total expenditures	<u>166,220</u>	<u>166,220</u>	<u>77,866</u>	<u>88,354</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,000</u>	<u>20,000</u>	<u>135,423</u>	<u>115,423</u>
<b>Other financing sources (uses)</b>				
Transfers out	(20,000)	(20,000)	(107,520)	(87,520)
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(107,520)</u>	<u>(87,520)</u>
Net change in fund balances	-	-	27,903	27,903
Fund balances - beginning	197,540	197,540	197,540	-
Fund balances - ending	<u>\$ 197,540</u>	<u>\$ 197,540</u>	<u>\$ 225,443</u>	<u>\$ 27,903</u>

**City of Kelso**  
**Highlander Festival Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 21,700	\$ 21,700	\$ 17,192	\$ (4,508)
Contributions	-	-	53	53
Miscellaneous	1,500	1,500	674	(826)
Total revenues	23,200	23,200	17,919	(5,281)
<b>Expenditures</b>				
Culture and recreation	43,200	43,200	37,930	5,270
Total expenditures	43,200	43,200	37,930	5,270
Excess (deficiency) of revenues over (under) expenditures	(20,000)	(20,000)	(20,011)	(11)
<b>Other financing sources (uses)</b>				
Transfers in	20,000	20,000	20,000	-
Total other financing sources (uses)	20,000	20,000	20,000	-
Net change in fund balances	-	-	(11)	(11)
Fund balances - beginning	11,152	11,152	11,152	-
Fund balances - ending	\$ 11,152	\$ 11,152	\$ 11,141	\$ (11)

**City of Kelso**  
**HUD Block Grant Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Investment earnings	\$ 3,000	\$ 3,000	\$ 4,981	\$ 1,981
Miscellaneous	20,000	20,000	875	(19,125)
Total revenues	23,000	23,000	5,856	(17,144)
<b>Expenditures</b>				
Housing rehabilitation	-	-	833	(833)
Total expenditures	-	-	833	(833)
Excess (deficiency) of revenues over (under) expenditures	23,000	23,000	5,023	(17,977)
<b>Other financing sources (uses)</b>				
Transfers out	(60,000)	(60,000)	-	60,000
Total other financing sources (uses)	(60,000)	(60,000)	-	60,000
Net change in fund balances	(37,000)	(37,000)	5,023	42,023
Fund balances - beginning	645,676	645,676	645,676	-
Fund balances - ending	\$ 608,676	\$ 608,676	\$ 650,699	\$ 42,023

**City of Kelso**  
**Criminal Justice Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 219,000	\$ 219,000	\$ 46,161	\$ (172,839)
Fines	1,000	1,000	-	(1,000)
Investment earnings	150	150	59	(91)
Total revenues	<u>220,150</u>	<u>220,150</u>	<u>46,220</u>	<u>(173,930)</u>
<b>Expenditures</b>				
Security of persons and property	327,050	327,050	73,421	253,629
Total expenditures	<u>327,050</u>	<u>327,050</u>	<u>73,421</u>	<u>253,629</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(106,900)</u>	<u>(106,900)</u>	<u>(27,201)</u>	<u>79,699</u>
<b>Other financing sources (uses)</b>				
Transfers in	75,000	75,000	-	(75,000)
Transfers out	-	-	(6,921)	(6,921)
Total other financing sources (uses)	<u>75,000</u>	<u>75,000</u>	<u>(6,921)</u>	<u>(81,921)</u>
Net change in fund balances	<u>(31,900)</u>	<u>(31,900)</u>	<u>(34,122)</u>	<u>(2,222)</u>
Fund balances - beginning	34,122	34,122	34,122	-
Fund balances - ending	<u>\$ 2,222</u>	<u>\$ 2,222</u>	<u>\$ -</u>	<u>\$ (2,222)</u>



**City of Kelso**  
**Transportation Benefit District Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 200,000	\$ 200,000	\$ 200,990	\$ 990
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>200,990</u>	<u>990</u>
Excess (deficiency) of revenues over (under) expenditures	<u>200,000</u>	<u>200,000</u>	<u>200,990</u>	<u>990</u>
Net change in fund balances	<u>200,000</u>	<u>200,000</u>	<u>200,990</u>	<u>990</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(223,900)</u>	<u>(223,900)</u>	<u>(223,900)</u>	<u>-</u>
Total other financing sources (uses)	<u>(223,900)</u>	<u>(223,900)</u>	<u>(223,900)</u>	<u>-</u>
Net change in fund balances	<u>(23,900)</u>	<u>(23,900)</u>	<u>(22,910)</u>	<u>990</u>
Fund balances - beginning	<u>80,091</u>	<u>80,091</u>	<u>80,091</u>	<u>-</u>
Fund balances - ending	<u>\$ 56,191</u>	<u>\$ 56,191</u>	<u>\$ 57,181</u>	<u>\$ 990</u>

**City of Kelso**  
**Non-Voted G.O. Bond Debt Service Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the fiscal year ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ 6,000	\$ 8,000	\$ 22,238	\$ 14,238
Miscellaneous	-	-	16,701	16,701
Total revenues	<u>6,000</u>	<u>8,000</u>	<u>38,939</u>	<u>30,939</u>
<b>Expenditures</b>				
Debt service:				
Principal	305,000	305,000	305,000	-
Interest	132,200	132,200	131,297	903
Total expenditures	<u>437,200</u>	<u>437,200</u>	<u>436,297</u>	<u>903</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(431,200)</u>	<u>(429,200)</u>	<u>(397,358)</u>	<u>31,842</u>
<b>Other financing sources (uses)</b>				
Transfers in	435,700	435,700	435,700	-
Transfers out	-	(2,110,000)	(2,110,000)	-
Total other financing sources (uses)	<u>435,700</u>	<u>(1,674,300)</u>	<u>(1,674,300)</u>	<u>-</u>
Net change in fund balances	4,500	(2,103,500)	(2,071,658)	31,842
Fund balances - beginning	2,264,147	2,264,147	2,264,147	-
Fund balances - ending	<u>\$ 2,268,647</u>	<u>\$ 160,647</u>	<u>\$ 192,489</u>	<u>\$ 31,842</u>

**City of Kelso**  
**City Hall Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 110,000	\$ 110,000	\$ 263,208	\$ 153,208
Investment earnings	1,000	1,000	4,290	3,290
Total revenues	<u>111,000</u>	<u>111,000</u>	<u>267,498</u>	<u>156,498</u>
Excess (deficiency) of revenues over (under) expenditures	<u>111,000</u>	<u>111,000</u>	<u>267,498</u>	<u>156,498</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(211,800)</u>	<u>(211,800)</u>	<u>(211,800)</u>	<u>-</u>
Total other financing sources (uses)	<u>(211,800)</u>	<u>(211,800)</u>	<u>(211,800)</u>	<u>-</u>
Net change in fund balances	(100,800)	(100,800)	55,698	156,498
Fund balances - beginning	321,312	321,312	321,312	-
Fund balances - ending	<u>\$ 220,512</u>	<u>\$ 220,512</u>	<u>\$ 377,010</u>	<u>\$ 156,498</u>

# STATISTICAL SECTION

This part of the City of Kelso's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	113
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	120
<i>These schedules contain trend information to help the reader assess some of the City's most significant local revenue sources, various taxes.</i>	
Debt Capacity	125
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic	130
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place</i>	
Operating Information	133
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Kelso  
Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Net investment in capital assets	\$ 54,754	\$ 57,203	\$ 56,455	\$ 56,985	\$ 56,850	\$ 59,025	\$ 62,845	\$ 66,459	\$ 72,897	\$ 75,746
Restricted	1,491	1,616	1,664	1,085	1,115	2,834	3,182	3,378	5,182	5,493
Unrestricted	4,342	4,481	4,680	5,496	6,086	2,850	2,688	5,124	7,717	9,340
Total governmental activities net position	<u>\$ 60,587</u>	<u>\$ 63,300</u>	<u>\$ 62,799</u>	<u>\$ 63,566</u>	<u>\$ 64,051</u>	<u>\$ 64,709</u>	<u>\$ 68,715</u>	<u>\$ 74,961</u>	<u>\$ 85,796</u>	<u>\$ 90,579</u>
Business-type activities										
Net investment in capital assets	\$ 19,683	\$ 20,307	\$ 21,087	\$ 22,337	\$ 24,876	\$ 25,677	\$ 25,199	\$ 25,522	\$ 25,805	\$ 28,053
Restricted	595	597	603	478	479	478	366	3,022	95	325
Unrestricted	7,219	7,957	7,224	8,626	8,201	8,418	10,363	9,565	15,318	15,213
Total business-type activities net position	<u>\$ 27,497</u>	<u>\$ 28,861</u>	<u>\$ 28,914</u>	<u>\$ 31,441</u>	<u>\$ 33,556</u>	<u>\$ 34,573</u>	<u>\$ 35,928</u>	<u>\$ 38,109</u>	<u>\$ 41,218</u>	<u>\$ 43,591</u>
Primary government										
Net investment in capital assets	\$ 74,437	\$ 77,510	\$ 77,542	\$ 79,322	\$ 81,726	\$ 84,702	\$ 88,044	\$ 91,981	\$ 98,702	\$ 103,799
Restricted	2,086	2,213	2,267	1,563	1,594	3,312	3,548	6,400	5,277	5,818
Unrestricted	11,561	12,438	11,904	14,122	14,287	11,268	13,051	14,689	23,035	24,553
Total primary government net position	<u>\$ 88,084</u>	<u>\$ 92,161</u>	<u>\$ 91,713</u>	<u>\$ 95,007</u>	<u>\$ 97,607</u>	<u>\$ 99,282</u>	<u>\$ 104,643</u>	<u>\$ 113,070</u>	<u>\$ 127,014</u>	<u>\$ 134,170</u>

**City of Kelso**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Expenses</b>										
Governmental activities:										
General government	\$ 1,776	\$ 1,916	\$ 1,963	\$ 2,201	\$ 2,355	\$ 2,331	\$ 2,255	\$ 2,516	\$ 2,091	\$ 2,746
Security of persons and property	4,562	4,609	4,608	5,134	5,392	4,661	5,505	5,022	4,642	5,338
Transportation	2,180	2,323	2,654	3,322	4,287	2,489	3,100	1,851	1,952	2,024
Economic environment	754	308	374	325	343	302	407	378	387	529
Culture and recreation	985	1,121	1,107	1,087	1,161	1,228	1,185	1,021	1,022	1,542
Interest on long-term debt	114	122	109	179	156	149	144	141	124	124
Total governmental activities expenses	<u>10,371</u>	<u>10,399</u>	<u>10,815</u>	<u>12,248</u>	<u>13,694</u>	<u>11,160</u>	<u>12,596</u>	<u>10,929</u>	<u>10,218</u>	<u>12,303</u>
Business-type activities:										
Water/Sewer	7,079	7,186	7,645	7,672	8,008	8,836	8,790	8,886	8,317	9,158
Solid waste	1,317	1,457	1,481	1,549	1,575	1,675	1,729	1,822	1,830	1,910
Storm water	547	556	715	609	665	678	717	527	461	769
Airport	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	<u>8,943</u>	<u>9,199</u>	<u>9,841</u>	<u>9,830</u>	<u>10,248</u>	<u>11,189</u>	<u>11,236</u>	<u>11,235</u>	<u>10,608</u>	<u>11,837</u>
Total primary government expenses	<u>\$ 19,314</u>	<u>\$ 19,598</u>	<u>\$ 20,656</u>	<u>\$ 22,078</u>	<u>\$ 23,942</u>	<u>\$ 22,349</u>	<u>\$ 23,832</u>	<u>\$ 22,164</u>	<u>\$ 20,826</u>	<u>\$ 24,140</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 226	\$ 108	\$ 153	\$ 156	\$ 188	\$ 175	\$ 278	\$ 217	\$ 246	\$ 325
Security of persons and property	151	360	279	306	375	268	400	304	264	515
Transportation	298	532	655	599	577	412	416	476	475	488
Economic environment	147	163	76	160	145	156	371	224	452	431
Culture and recreation	80	140	94	99	99	97	115	84	101	137
Operating grants and contributions	848	172	317	192	261	514	787	851	249	207
Capital grants and contributions	4,895	3,525	663	1,460	601	2,584	3,356	4,123	7,383	2,283
Total governmental activities program revenues	<u>6,645</u>	<u>5,000</u>	<u>2,237</u>	<u>2,972</u>	<u>2,246</u>	<u>4,206</u>	<u>5,723</u>	<u>6,279</u>	<u>9,170</u>	<u>4,386</u>
Business-type activities:										
Charges for services:										
Water/Sewer	7,883	8,358	8,868	9,035	9,038	9,377	9,655	10,442	10,521	11,196
Solid waste	1,194	1,382	1,427	1,517	1,596	1,642	1,708	1,856	1,854	1,884
Storm water	591	623	714	762	803	844	878	843	833	816
Operating grants and contributions	19	75	7	25	44	6	152	135	126	158
Capital grants and contributions	2	112	-	1,144	165	146	-	17	375	-
Total business-type activities program revenues	<u>9,689</u>	<u>10,550</u>	<u>11,016</u>	<u>12,483</u>	<u>11,646</u>	<u>12,015</u>	<u>12,393</u>	<u>13,293</u>	<u>13,709</u>	<u>14,054</u>
Total primary government program revenues	<u>\$ 16,334</u>	<u>\$ 15,550</u>	<u>\$ 13,253</u>	<u>\$ 15,455</u>	<u>\$ 13,892</u>	<u>\$ 16,221</u>	<u>\$ 18,116</u>	<u>\$ 19,572</u>	<u>\$ 22,879</u>	<u>\$ 18,440</u>

City of Kelso  
**Changes in Net Position (continued)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net (expense)/revenue										
Governmental activities	\$ (3,726)	\$ (5,399)	\$ (8,578)	\$ (9,276)	\$ (11,448)	\$ (6,954)	\$ (6,873)	\$ (4,650)	\$ (1,048)	\$ (7,917)
Business-type activities	746	1,351	1,175	2,653	1,398	826	1,157	2,058	3,101	2,217
Total primary government net expense	<u>\$ (2,980)</u>	<u>\$ (4,048)</u>	<u>\$ (7,403)</u>	<u>\$ (6,623)</u>	<u>\$ (10,050)</u>	<u>\$ (6,128)</u>	<u>\$ (5,716)</u>	<u>\$ (2,592)</u>	<u>\$ 2,053</u>	<u>\$ (5,700)</u>
<b>General Revenues and other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 1,191	\$ 1,206	\$ 1,243	\$ 1,280	\$ 1,300	\$ 1,506	\$ 1,530	\$ 1,577	\$ 1,608	\$ 1,603
Sales taxes	2,141	2,410	2,546	2,899	2,883	2,932	3,234	3,419	4,000	4,391
Utility taxes	2,748	2,809	3,099	3,265	3,320	3,358	3,366	3,424	3,424	3,723
Business taxes	772	821	875	944	945	986	1,009	949	1,143	1,137
Excise taxes	79	107	157	188	263	450	411	387	502	490
Penalties & interest	3	5	4	6	5	9	-	-	-	-
State entitlements	692	624	653	763	804	978	1,041	943	1,095	797
Investment earnings	29	37	55	51	93	142	189	58	20	186
Miscellaneous	66	93	68	631	286	75	99	115	91	363
Gain/(loss) on sale of capital assets	-	-	1	-	135	186	-	24	-	10
Special items	2,513	-	-	-	-	-	-	-	-	-
Transfers	(56)	-	-	17	-	(44)	-	-	-	-
Total governmental activities	<u>10,178</u>	<u>8,112</u>	<u>8,701</u>	<u>10,044</u>	<u>10,034</u>	<u>10,578</u>	<u>10,879</u>	<u>10,896</u>	<u>11,883</u>	<u>12,700</u>
Business-type activities:										
Investment earnings	11	13	18	23	70	148	198	56	8	156
Miscellaneous	-	-	4	1	-	-	-	-	-	-
Gain/(loss) on sale of capital assets	-	-	-	-	(264)	-	-	67	-	-
Special items	(3,026)	-	-	-	-	-	-	-	-	-
Transfers	56	-	-	(17)	-	44	-	-	-	-
Total business-type activities	<u>(2,959)</u>	<u>13</u>	<u>22</u>	<u>7</u>	<u>(194)</u>	<u>192</u>	<u>198</u>	<u>123</u>	<u>8</u>	<u>156</u>
Total primary government	<u>\$ 7,219</u>	<u>\$ 8,125</u>	<u>\$ 8,723</u>	<u>\$ 10,051</u>	<u>\$ 9,840</u>	<u>\$ 10,770</u>	<u>\$ 11,077</u>	<u>\$ 11,019</u>	<u>\$ 11,891</u>	<u>\$ 12,856</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 6,452	\$ 2,713	\$ 123	\$ 768	\$ (1,414)	\$ 3,624	\$ 4,006	\$ 6,246	\$ 10,835	\$ 4,783
Business-type activities	(2,213)	1,364	1,197	2,660	1,204	1,018	1,355	2,181	3,109	2,373
Total primary government	<u>\$ 4,239</u>	<u>\$ 4,077</u>	<u>\$ 1,320</u>	<u>\$ 3,428</u>	<u>\$ (210)</u>	<u>\$ 4,642</u>	<u>\$ 5,361</u>	<u>\$ 8,427</u>	<u>\$ 13,944</u>	<u>\$ 7,156</u>

**City of Kelso**  
**Governmental Activities Tax Revenues by Source**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Utility Taxes</b>	<b>Business Taxes</b>	<b>Excise Taxes</b>
2013	\$ 1,191	\$ 2,141	\$ 2,748	\$ 772	\$ 79
2014	1,206	2,410	2,809	821	107
2015	1,243	2,546	3,099	875	157
2016	1,280	2,899	3,265	944	188
2017	1,300	2,883	3,320	945	263
2018	1,506	2,932	3,358	986	450
2019	1,530	3,234	3,366	1,008	411
2020	1,577	3,419	3,424	949	387
2021	1,608	4,000	3,424	1,143	502
2022	1,603	4,391	3,723	1,137	490



**City of Kelso**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General fund										
Restricted	\$ 171	\$ 100	\$ 92	\$ 118	\$ 119	\$ 103	\$ 354	\$ 440	\$ 775	\$ 893
Committed	242	-	-	-	-	-	-	-	-	-
Assigned	-	212	242	277	312	323	330	362	398	1,114
Unassigned	3,097	3,828	4,564	5,285	5,482	6,111	6,344	8,189	9,924	10,078
Total general fund	<u>\$ 3,510</u>	<u>\$ 4,140</u>	<u>\$ 4,898</u>	<u>\$ 5,680</u>	<u>\$ 5,913</u>	<u>\$ 6,537</u>	<u>\$ 7,028</u>	<u>\$ 8,991</u>	<u>\$ 11,097</u>	<u>\$ 12,085</u>
All other governmental funds										
Nonspendable	\$ 647	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,321	1,516	1,572	3,798	984	841	742	672	810	839
Assigned	1,350	2,032	2,105	2,607	2,867	3,445	2,924	3,093	2,751	3,440
Unassigned	(1,227)	(304)	(428)	(231)	(84)	-	-	-	(331)	-
Total all other governmental funds	<u>\$ 2,091</u>	<u>\$ 3,244</u>	<u>\$ 3,249</u>	<u>\$ 6,174</u>	<u>\$ 3,767</u>	<u>\$ 4,286</u>	<u>\$ 3,666</u>	<u>\$ 3,765</u>	<u>\$ 3,230</u>	<u>\$ 4,279</u>

**City of Kelso**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenues</b>										
Taxes	\$ 6,940	\$ 7,361	\$ 7,928	\$ 8,655	\$ 8,859	\$ 9,254	\$ 9,544	\$ 9,776	\$ 10,677	\$ 11,339
Licenses and permits	212	203	131	174	191	169	284	205	342	230
Intergovernmental	5,415	5,588	1,361	2,739	1,121	3,872	5,197	5,859	7,470	4,675
Charges for services	963	1,008	1,268	1,311	1,141	1,246	1,375	1,398	1,608	1,835
Fines	130	119	106	98	105	138	169	155	145	104
Investment earnings	29	37	55	53	96	144	189	58	20	187
Contributions	-	-	55	65	35	4	23	32	15	4
Rental/lease income	90	104	105	112	118	113	106	101	110	114
Miscellaneous	78	110	84	655	257	83	115	114	91	78
<b>Total revenues</b>	<b>13,857</b>	<b>14,530</b>	<b>11,093</b>	<b>13,862</b>	<b>11,923</b>	<b>15,023</b>	<b>17,002</b>	<b>17,698</b>	<b>20,478</b>	<b>18,566</b>
<b>Expenditures</b>										
General government	2,153	2,169	2,390	2,712	2,984	3,070	3,086	3,323	3,302	3,794
Security of persons and property	4,340	4,271	4,386	4,808	5,114	5,120	5,205	5,309	5,300	5,737
Transportation	742	851	928	1,589	3,186	1,492	2,091	978	1,002	1,132
Economic environment	752	313	381	317	345	310	429	378	403	543
Culture and recreation	709	842	827	885	1,033	1,087	1,058	878	936	1,375
Capital outlay	5,497	3,883	1,192	2,926	1,183	3,098	4,823	4,324	7,531	3,592
Debt service										
Principal	158	317	140	305	270	270	280	290	295	305
Interest	108	101	86	185	171	164	159	156	139	139
<b>Total expenditures</b>	<b>14,459</b>	<b>12,747</b>	<b>10,330</b>	<b>13,727</b>	<b>14,286</b>	<b>14,611</b>	<b>17,131</b>	<b>15,636</b>	<b>18,908</b>	<b>16,617</b>
Excess of revenues over (under) expenditures	(602)	1,783	763	135	(2,363)	412	(129)	2,062	1,570	1,949

**Other financing sources (uses)**

Transfers in	573	579	543	1,517	1,146	962	1,589	677	996	3,128
Transfers out	(628)	(579)	(543)	(1,500)	(1,146)	(1,006)	(1,589)	(677)	(996)	(3,128)
Proceeds from lease financing	-	-	-	-	-	-	-	-	-	88
Bonds issued	-	-	-	3,200	-	-	-	-	-	-
Premium on bonds issued	-	-	-	355	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	189	259	-	-	-	-
Total other financing sources (uses)	(55)	-	-	3,572	189	215	-	-	-	88
Net change in fund balances	<u>\$ (657)</u>	<u>\$ 1,783</u>	<u>\$ 763</u>	<u>\$ 3,707</u>	<u>\$ (2,174)</u>	<u>\$ 627</u>	<u>\$ (129)</u>	<u>\$ 2,062</u>	<u>\$ 1,570</u>	<u>\$ 2,037</u>
Debt service as a percentage of noncapital expenditures*	2.97%	4.72%	2.47%	4.54%	3.37%	3.77%	3.57%	3.94%	3.81%	3.41%

\* This ratio was calculated by dividing the debt service (principal and interest) by the non-capital expenditures. Non-capital expenditures were calculated by subtracting capital outlay from total expenditures.

**City of Kelso  
General Governmental Tax Revenues by Source  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(amounts expressed in thousands)**

Fiscal Year	Property Tax	Sales Tax	Utility Taxes	Business Taxes	Other Taxes	Total
2013	\$ 1,197	\$ 2,141	\$ 2,748	\$ 772	\$ 82	\$ 6,940
2014	1,209	2,410	2,809	821	112	7,361
2015	1,247	2,546	3,099	875	161	7,928
2016	1,353	2,899	3,265	944	194	8,655
2017	1,255	2,883	3,320	945	456	8,859
2018	1,519	2,932	3,358	986	459	9,254
2019	1,525	3,234	3,366	1,008	411	9,544
2020	1,596	3,419	3,424	950	387	9,776
2021	1,608	4,000	3,424	1,143	502	10,677
2022	1,597	4,391	3,723	1,137	491	11,339

**City of Kelso**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
(amounts expressed in thousands)

Fiscal Year	Residential Property <sup>1</sup>	Non-Residential Property <sup>1</sup>	State Assessed Property <sup>1</sup>	Personal Property <sup>1</sup>	Real Property		Direct Tax Rate	Ratio of Assessed Value To Estimated Actual Value <sup>2</sup>
					Total Assessed Value <sup>1</sup>	Estimated Value		
2013	\$ 361,690	\$ 233,337	\$ 25,170	\$ 60,067	\$ 680,264	\$ 726,002	2.0116%	93.7%
2014	375,497	217,853	26,579	58,108	678,037	705,554	2.0557%	96.1%
2015	390,452	213,413	28,575	57,771	690,210	736,617	2.0467%	93.7%
2016	403,206	205,578	30,182	64,586	703,552	737,476	2.0612%	95.4%
2017	436,557	227,543	29,706	71,815	765,621	877,000	1.9237%	87.3%
2018	513,324	205,673	31,239	67,549	817,786	891,806	1.8485%	91.7%
2019	562,888	210,756	31,988	65,981	871,613	949,469	1.7642%	91.8%
2020	589,392	279,861	32,685	70,816	972,754	1,057,341	1.6289%	92.0%
2021	747,311	240,007	34,193	74,413	1,095,924	1,183,503	1.4683%	92.6%
2022	850,948	257,025	33,848	75,732	1,217,553	1,300,804	1.3214%	93.6%

<sup>1</sup> Cowlitz County Assessor's Office - distribution represents countywide allocation

<sup>2</sup> Department of Revenue - Property Tax Division

**City of Kelso  
Property Tax Rates  
Direct and Overlapping Governments  
(Per \$1,000 of Assessed Value)  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>City Regular</b>	<b>Total City</b>	<b>School District</b>	<b>Port of Longview</b>	<b>Cowlitz County</b>	<b>State of Washington</b>	<b>Cowlitz 2 Fire District</b>	<b>Total</b>
2013	\$ 2.0116	\$ 2.0116	\$ 5.7004	\$ 0.2164	\$ 1.9408	\$ 2.4478	\$ 1.5000	\$ 13.8170
2014	2.0557	2.0557	5.6512	0.4500	2.0423	2.3356	1.5000	14.0348
2015	2.0467	2.0467	5.6186	0.4500	2.1404	2.2824	1.5000	14.0381
2016	2.0612	2.0612	5.5153	0.4177	1.9728	2.0837	1.4982	13.5489
2017	1.9237	1.9237	5.2898	0.3438	1.9155	2.1369	1.8025	13.4122
2018	1.8485	1.8485	4.9389	0.2586	1.8898	2.8988	1.6671	13.5017
2019	1.7642	1.7642	4.4178	0.2394	1.7337	2.5970	1.5351	12.2872
2020	1.6289	1.6289	4.0291	0.2106	1.6066	2.9131	1.3959	11.7842
2021	1.4683	1.4683	4.3709	0.1953	1.5807	2.8498	1.2824	11.7474
2022	1.3214	1.3214	4.0437	0.1275	1.2482	2.6600	1.1509	10.5517

Diking and Mosquito Districts are not included  
Source: Cowlitz County Assessor's Office

**City of Kelso  
Principal Property Taxpayers  
December 31, 2022  
(amounts expressed in thousands)**

Taxpayer	2022			2013		
	Rank	Assessed Valuation	Percentage of Total Assessed Valuation	Rank	Assessed Valuation	Percentage of Total Assessed Valuation
Foster Farms Poultry	1	\$ 36,932	3.03%	1	\$ 31,050	4.58%
Burlington Northern Santa Fe	2	27,351	2.25%	4	13,623	2.01%
C & C Logging	3	16,066	1.32%			
Three Rivers Village LLC	4	15,239	1.25%	2	19,851	2.93%
Mario Segale	5	14,664	1.20%	3	14,664	2.16%
Terry Morgan Trust	6	11,294	0.93%	10	6,650	0.98%
Brookhollow Partners LP	7	9,818	0.81%			
Summerwind Properties LLC	8	9,811	0.81%			
ALS Group USA	9	9,165	0.75%			
JMK Limited Partnership	10	9,028	0.74%			
NWCC Riverway SPE LLC	11	8,255	0.68%			
Dayton Hudson	12	7,016	0.58%			
Hadaller Logging	13	6,109	0.50%			
Storedahl	14	6,032	0.50%	8	7,058	1.04%
SW Paper Inc.				6	7,502	1.11%
CAS Holdings Inc.				7	7,296	1.08%
Safeway Inc.				5	10,471	1.54%
Allen St. Investments				9	6,940	1.02%
		<u>\$ 186,780</u>	<u>15.35%</u>		<u>\$ 125,105</u>	<u>18.45%</u>

Source: Cowlitz County Assessor's Office

**City of Kelso  
Principal Utility Taxpayers  
December 31, 2022**

<u>Utility Tax Type</u>	<u>2022</u>			<u>2013</u>		
	<u>Rank</u>	<u>Tax</u>	<u>Percentage of Tax to Total</u>	<u>Rank</u>	<u>Tax</u>	<u>Percentage of Tax to Total</u>
Electricity*	1	\$ 760,783	20.43%	1	\$ 677,942	24.68%
Sewer*	2	607,645	16.32%	2	369,421	13.45%
Water*	3	480,138	12.90%	3	277,002	10.09%
Cable Television*	4	204,875	5.50%	5	112,885	4.11%
Garbage*	5	188,205	5.05%	7	93,194	3.39%
Natural Gas*	6	75,125	2.02%	8	57,762	2.10%
Cell Phone**	7	64,427	1.73%	4	182,570	6.65%
Telephone**	8	49,908	1.34%	6	98,875	3.60%
		<u>2,431,106</u>	<u>65.29%</u>		<u>1,869,651</u>	<u>68.07%</u>

\* Taxes paid by single utility provider

\*\*Taxes paid by multiple providers

Source: City of Kelso

**City of Kelso  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Current Taxes Collected</b>	<b>Collections in Subsequent Years</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Total Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Ratio of Delinquent Taxes to Total Tax Levy</b>
2013	1,368,390	1,309,790	95.7%	58,600	1,368,390	100.00%	-	0.0%
2014	1,393,874	1,335,634	95.8%	58,240	1,393,874	100.00%	-	0.0%
2015	1,412,682	1,361,171	96.4%	51,443	1,412,614	100.00%	68	0.0%
2016	1,450,135	1,397,191	96.3%	52,876	1,450,067	99.99%	68	0.0%
2017	1,472,804	1,423,709	96.7%	49,032	1,472,741	99.97%	63	0.0%
2018	1,511,643	1,463,408	96.8%	48,111	1,511,519	99.40%	124	0.6%
2019	1,537,735	1,488,915	96.8%	48,287	1,537,202	98.82%	533	1.2%
2020	1,584,537	1,545,830	97.6%	32,378	1,578,208	97.56%	6,329	2.4%
2021	1,609,180	1,575,104	97.9%	19,317	1,594,421	97.88%	14,759	2.1%
2022	1,608,789	1,568,585	97.5%	-	1,568,585	97.50%	40,204	2.5%

Basis for property tax rates is per \$1,000 of assessed valuation  
Source: Cowlitz County Assessor's Office



**City of Kelso**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>2</sup>
	General Obligation Bonds	Miscellaneous Notes	Water/Sewer Revenue Bonds	Miscellaneous Notes			
2013	\$ 2,408	\$ 182	\$ 4,603	\$ 1,472	\$ 8,665	2.08%	726
2014	2,294	-	4,441	1,284	8,019	1.76%	670
2015	2,175	-	4,285	1,097	7,557	1.57%	632
2016	5,744 *	-	4,085	909	10,738	2.16%	897
2017	5,120	-	3,880	972	9,972	1.94%	832
2018	4,832	-	3,665	4,332 **	12,829	2.36%	1,062
2019	4,534	-	3,440	4,409	12,383	2.18%	1,013
2020	4,226	-	5,945 ***	3,967	14,138	2.38%	1,146
2021	3,914	-	5,607	3,649	13,170	1.90%	1,035
2022	3,591	-	5,265	3,332	12,188	N/A	958

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

N/A - Information not available.

1 Personal income was calculated by multiplying the County's per capita income by the City's population.

2 See the schedule of Demographic and Economic Statistics on page 132 for personal income and population data.

\*City issued \$3,200 in G.O. bonds in 2016.

\*\*City borrowed \$4,530 from the Drinking Water State Revolving Loan in 2016.

\*\*\*City issued \$5,405 in revenue refunding/improvement bonds in 2020. \$3,440 of the proceeds were used to refund the 2010 revenue bond.

**City of Kelso  
Ratio of General Bonded Debt Outstanding  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Assessed Value*<sub>1</sub></b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property<sub>2</sub></b>	<b>Per Capita<sub>3</sub></b>
2013	\$ 680,264	\$ 2,408,189	-	\$ 2,408,189	0.33%	\$ 202
2014	678,037	2,294,356	-	2,294,356	0.33%	192
2015	690,210	2,175,000	-	2,175,000	0.30%	182
2016	703,552	5,407,314	-	5,407,314	0.73%	452
2017	765,621	5,119,561	-	5,119,561	0.58%	428
2018	817,786	4,831,807	-	4,831,807	0.54%	400
2019	871,613	4,534,054	-	4,534,054	0.48%	371
2020	972,754	4,226,301	-	4,226,301	0.40%	342
2021	1,095,924	3,913,547	-	3,913,547	0.33%	308
2022	1,217,553	3,590,794	-	3,590,794	0.28%	282

\*Amounts expressed in thousands

<sub>1</sub>Cowlitz County Assessor's Office

<sub>2</sub>See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on Page 120 for property value data

<sub>3</sub>Population data can be found in the Schedule of Demographic and Economic Statistics on page 130.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**City of Kelso**  
**Direct and Overlapping Governmental Activities Debt**  
**December 31, 2022**

Jurisdiction	Debt Outstanding	Estimated Percentage Applicable <sup>1</sup>	Estimated Share of Overlapping Debt
<b>Direct:</b>			
City of Kelso	\$ 3,590,794	100%	\$ 3,590,794
<b>Overlapping:</b>			
Cowlitz County	44,735,000	8%	3,449,142
Kelso School District	85,245,118	37%	31,739,102
Port of Longview	4,155,000	10%	424,498
Cowlitz Fire District #2	8,024,178	28%	2,274,680
Subtotal, overlapping debt	142,159,296		37,887,421
Total direct and overlapping	<u>\$ 145,750,090</u>		<u>\$ 41,478,215</u>

Source: Cowlitz County Assessor's Office

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Kelso. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<sup>1</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the jurisdiction's taxable value that is within the City's boundaries and dividing it by the jurisdiction's total taxable assessed value.

**City of Kelso  
Legal Debt Margin Information  
Last Ten Fiscal Years  
(amounts expressed in thousands)**

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit	\$ 51,020	\$ 50,853	\$ 51,766	\$ 52,766	\$ 57,422	\$ 61,334	\$ 65,371	\$ 72,957	\$ 82,194	\$ 91,316
Total net debt applicable to limit	1,378	2,315	2,175	5,070	4,800	4,530	4,250	3,960	3,665	3,360
Legal debt margin	<u>\$ 49,642</u>	<u>\$ 48,538</u>	<u>\$ 49,591</u>	<u>\$ 47,696</u>	<u>\$ 52,622</u>	<u>\$ 56,804</u>	<u>\$ 61,121</u>	<u>\$ 68,997</u>	<u>\$ 78,529</u>	<u>\$ 87,956</u>
Total net debt applicable to the limit as a percentage of debt limit	2.70%	4.55%	4.20%	9.61%	8.36%	7.39%	6.50%	5.43%	4.46%	3.68%

**Legal Debt Margin Calculation for Fiscal Year 2022**

Assessed value	\$ 1,217,553
Debt limit (7.5% of total assessed value)	91,316
Debt applicable to limit:	
General obligation bonds	3,360
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>3,360</u>
Legal debt margin	<u>\$ 87,956</u>

Note: The City of Kelso is authorized to issue debt pursuant to the Acts of the State of Washington. With voter approval the City can issue debt up to 2.5 percent of the assessed valuation of taxable property within the City. Without a vote, the City can incur debt up to an amount equal to 1.5 percent of the assessed valuation. Further, voted indebtedness is permitted for water, artificial lights, and sewerage up to 2.5 percent of assessed valuation, with an additional 2.5 percent available for acquiring open space for park facilities. The combination of unlimited tax (voted) and limited tax (non-voted) general obligation debt for all purposes cannot exceed 7.5 percent of assessed valuation

**City of Kelso  
Pledged-Revenue Coverage  
Last Ten Fiscal Years**

**Water/Sewer Revenue Bonds**

Fiscal Year	Water/Sewer Revenues <sup>1</sup>	Less: Operating Expenses <sup>2</sup>	Net Available Revenue	Debt Services <sup>3</sup>		Coverage
				Principal	Interest	
2013	\$7,805,929	\$6,125,903	\$1,680,026	\$ 190,000	\$ 193,409	4.38
2014	8,280,269	6,092,495	2,187,774	195,000	216,772	5.31
2015	8,796,003	6,599,416	2,196,587	195,000	214,992	5.36
2016	8,978,127	6,675,819	2,302,308	200,000	167,381	6.27
2017	8,982,591	7,034,003	1,948,588	205,000	161,159	5.32
2018	9,433,897	7,883,278	1,550,619	215,000	152,380	4.22
2019	9,597,636	7,706,712	1,890,924	225,000	146,492	5.09
2020	9,693,151	7,662,913	2,030,238	225,000	136,569	5.62
2021	10,385,549	7,179,081	3,206,468	310,000	159,044	6.84
2022	11,172,055	7,906,143	3,265,912	315,000	150,188	7.02

<sup>1</sup>Total revenues (including investment earnings) exclusive of capital recovery charges and capital grants.

<sup>2</sup>Total operating expenses exclusive of depreciation and interest.

<sup>3</sup>Includes principal and interest of water/sewer revenue bonds only.

**City of Kelso  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

**Info available at County level only**

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Per Capita</b>		<b>Unemployment Rate<sup>4</sup></b>	<b>School Enrollment<sup>3</sup></b>
		<b>Personal Income<sup>2</sup></b>	<b>Personal Income<sup>2</sup></b>		
2013	11,930	\$ 3,667,139	\$ 36,002	10.1%	4,908
2014	11,960	3,894,794	38,135	8.4%	4,974
2015	11,950	4,177,087	40,371	7.6%	4,951
2016	11,970	4,358,825	41,449	7.1%	5,030
2017	11,980	4,585,187	42,888	6.1%	5,045
2018	12,080	4,903,274	44,990	5.9%	4,941
2019	12,220	5,142,891	46,503	6.0%	4,992
2020	12,340	5,371,661	48,232	9.3%	4,662
2021	12,720	6,083,588	54,550	6.4%	4,836
2022	12,720	N/A	N/A	5.7%	4,766

N/A - information not available.

<sup>1</sup>Source: Office of Financial Management

<sup>2</sup>Source: U.S. Department of Commerce, Bureau of Economic Analysis.

<sup>3</sup>Source: Kelso School District

<sup>4</sup>Source: Bureau of Labor Statistics

Personal income amounts are expressed in thousands of dollars.

**City of Kelso  
Principal Employers  
Current Year and Nine Years Ago**

Employer	2022			2013		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
PeaceHealth / St. John's Hospital	1,843	1	3.88%	1,650	1	4.40%
Weyerhaeuser	1,600	2	3.37%	1,539	3	4.10%
Longview School District	804	3	1.69%	773	5	2.10%
Longview Fibre/ Westrock	750	4	1.58%	1,600	2	4.30%
JH Kelly, Inc.	728	5	1.53%	600	7	1.60%
Lower Columbia College	580	6	1.22%			
Kelso School District	569	7	1.20%	832	4	2.20%
Cowlitz County	525	8	1.10%	549	8	1.50%
Foster Farms	500	9	1.05%	707	6	1.90%
Safeway Grocery	495	10	1.04%	454	9	1.20%
Norpac				450	10	1.20%
<b>Total</b>	<b>8,394</b>		<b>17.7%</b>	<b>9,154</b>		<b>24.5%</b>

Note: Principal employer information is available on a county-wide basis only.

Sources: Cowlitz-Wahkiakum Council of Governments, Kelso Longview Chamber of Commerce  
Washington State Employment Security Department and Cowlitz Economic Development Council

**City of Kelso**  
**Full-time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**

<b>Function</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
General Government										
Community Development	3.0	2.5	1.5	3.0	3.0	3.0	3.0	2.0	3.0	3.0
Finance	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
City Attorney	0.4	0.4	0.4	0.4	0.4	0.4	1.4	1.4	1.4	1.4
Admin.	2.0	2.0	2.0	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Engineering	4.1	4.1	4.6	5.0	5.0	4.0	5.0	5.0	5.0	5.0
Airport	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Safety										
Police										
Officers	24.0	24.0	25.0	25.0	27.0	26.0	27.0	28.0	28.0	28.0
Civilians	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Highways & Streets										
Maintenance	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Traffic	1.3	1.3	1.0	1.0	2.0	1.0	1.0	1.0	1.0	1.0
Culture and recreation	6.3	6.3	7.0	7.0	7.0	8.0	6.0	7.0	7.0	7.0
Water	8.8	8.8	8.0	8.5	9.0	9.0	9.5	9.1	9.0	9.0
Sewer	6.8	6.8	6.0	6.5	7.0	7.0	7.5	6.9	7.0	7.0
Drainage	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<b>Total</b>	<b>72.1</b>	<b>72.6</b>	<b>71.9</b>	<b>75.4</b>	<b>79.4</b>	<b>77.4</b>	<b>79.4</b>	<b>79.4</b>	<b>80.4</b>	<b>80.4</b>

Source: City Payroll Department



**City of Kelso  
Operating Indicators by Function  
Last Ten Fiscal Years**

Function	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police										
Physical arrests	1,163	1,065	1,227	1,169	1,204	1,607	1,393	1,303	1,058	1,059
Traffic violations	1,114	1,197	645	391	856	2,113	1,885	895	1,080	420
Fire (contracted with Cowlitz 2 Fire and Rescue)										
Number of calls answered	4,225	4,107	4,636	4,950	4,953	4,918	4,950	5,129	5,737	5,952
Highways and streets										
Street resurfacing (linear feet)	3,800	13,500	4,700	4,500	3,000	1,127	500	500	500	1,750
Sanitation (contracted with Waste Control Equipment Inc.)										
Residential refuse collected (tons monthly average)	513	641	642	677	696	712	725	754	782	780
Residential recyclables collected (tons monthly average)	41	40	41	38	41	39	32	36	36	28
Water										
Number of active service connections	4,778	4,781	4,784	4,789	4,799	4,810	4,752	4,761	4,750	4,738
Water main breaks	7	7	3	6	6	10	7	7	5	8
Average daily consumption (millions of gallons)	2.1	2.1	2.3	2.2	2.19	2.10	2.10	2.10	2.10	2.10
Sewer										
Number of active service connections	3,933	3,950	3,982	4,029	4,059	4,072	4,127	4,170	4,183	4,185
Average daily sewage treatment (millions of gallons)	2.3	2.5	2.7	2.7	2.7	2.5	2.2	2.6	2.7	2.6

Sources: Various City departments.

**City of Kelso**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	9	9	9	9	9	9	9	10	10	10
Highways and streets										
Street (miles)	64	64	64	64	64	64	64	64	64	64
Streetlights	441	469	469	483	502	502	502	502	502	502
Traffic signals	13	15	15	15	15	15	15	15	15	15
Culture and recreation										
Libraries	1	1	1	1	1	1	1	1	1	1
Park acreage	50	50	50	50	50	50	50	50	50	50
Water										
Water mains (miles)	73.56	73.56	73.85	74.28	56.30	56.46	56.46	56.46	56.46	56.46
Fire hydrants	554	556	605	606	606	606	606	606	606	606
Maximum daily capacity (millions of gallons)	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Sewer										
Sanitary sewers (miles)	56.52	56.52	56.80	57.02	44.84	44.84	44.84	44.84	44.84	44.84
Storm sewers (miles)	55	55	55	55	55	55	55	55	55	55
Maximum daily treatment capacity (millions of gallons)	26	26	26	26	26	26	26	26	26	26

Sources: Various City departments.